U.S. DEPARTMENT OF STATE
OVERSEAS BUILDINGS OPERATIONS

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INDUSTRY ADVISORY PANEL

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Tuesday, April 12, 2005
9:41 a.m.

Conference Room 1105
Truman Building
2201 C Street, N.W.
Washington, D.C.

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I N D E X

P R O C E E D I N G S

[9:41 a.m.]

GENERAL WILLIAMS: Good morning. I am delighted to see so many in participation this morning, and as you know, this is the first of our Industry Panel sessions during 2005, and those of you who have been with us for the four-year ride know how this goes. But I must tell you that it is with much delight that I welcome you this morning, because it's a testament of, number one, working together with industry as we've done very collaboratively over the last four years, but it also speaks well about term number two.

We are off to a good start. I should start first by introducing our panel members. We have a couple who are still en route, but they will join us as they arrive. Starting first to my left with Joel Zingeser, who is sitting over to my left. He can raise his hand. Joel has been with us for awhile, and he is a seasoned professional in the construction agency and represents the AGC.

Todd Rittenhouse, Thomas Rittenhouse, is

also an engineer. He's a principal in his firm. He, too, has been very close to us for the last four years.

Ida Brooker, directly across from me, represents women in construction and in this business, but more importantly, she's a manager in the Boeing Company and brings to us that other side of industry that sometimes is a little bit different from the design and construction.

We have S.G. Papadopoulos, who is an engineer par excellence. He is in his second year with us. We are very pleased to have him. He represents the American Council of Engineers.

And just coming in and not even going to allow him to sit down is the dean of the group, Derish Wolff. Derish has been with us for awhile as well, and he represents several organizations, but his parent organization is the Berger Group.

And then, of course, Mary Ann Lewis; Mary Ann Lewis is in her second year with us, and Mary Ann represents the value engineering world. Mary Ann, welcome.

Then, of course, Robin Olsen is the president of Consultants Limited, and she represents owners and developers, and Robin has been with us now for about three years.

And then, of course, sitting around with me representing the senior leadership of the Overseas Building Operations, starting to the left is Jurg Hochuli. To his right is Vicki Hutchison, sitting in for Jay Hicks. Jay Hicks is in Baghdad doing some important work. Next to Vicki is Suzanne Conrad, my chief of staff. Next to myself to the right is Joe Toussaint. Joe is the managing director of our project execution office. And next to him is Pat McNamara, who is our acting director for real estate and property management, and then, next to Pat is Richard Smyth. Richard is our managing director for operations and maintenance.

Then, of course, we have several members of the staff around and about. I'll just ask them to raise their hands. I see some over here, Bleicher, Shirley, and others; coming around the side here, okay, we've got several old boys there

and one didn't raise her hand because she's very shy, and that's Phyllis. She's only been with me for 17 years. And over here, there's Bill Minor and Elaine as well.

Okay; those of you who may be her for the first time, this is an informative panel. This is an open panel. This is a panel that is friendly, and this is a family that is family, right, Craig? Okay; okay, Craig is coming in now as well. He's represents the design build industry and institute and has been very helpful as well through this whole process.

Okay; with that introduction, now, Gina has made a point that all of our work is recorded. The old members are familiar with that. We have a court reporter upstairs, and he has already been introduced. That's Mr. Donald Jacobsen.

Okay; what I'm going to do is give you a small update to get the panel up to where we are so that we will, everyone will understand where we are beginning from. So, I'm going to ask those who may be standing to try to position yourselves over on

this wall, because we'll be showing some slides, and we would like for you to be able to see them.

This first slide just raises a point about the new administration. Most of you know that four years ago, four and a half years ago, Secretary Powell asked me to join him and the rest of the organization. And then, of course, I was pleased that Secretary Rice invited me to join her and her team to continue. I must say that our new Secretary is extremely well-positioned for her responsibilities. She is very focused. She is very supportive of the Overseas Building operation. She takes me in counsel on all the matters that relate to the building program. I have direct access to her about these matters. She has made this very clear. And this has been very helpful.

Prior to her testimony on one of the major pieces of business that impacted us, she wanted direct input as to how we felt about this particular matter, so that speaks wonders for our new Secretary, and as far as our relationships are concerned, they are no different than what we had

with Secretary Powell.

Secretary Rice is promoting, and we are all subscribing to, a new focus in the Department, which is around transformation diplomacy. And what that means is just what it says, as we transform any elements of government, diplomacy will be one. And we have a very significant role, because we see our buildings, our new embassies that we are building, our compounds, as platforms from which this transformation can take place, because clearly, we are working our way out of sort of a dysfunctional facilities point of view.

This next slide talks about our significant management actions, and I'm going to talk about this in the context of after four years of planning, working, and taking input from this body, working as partners, we have arrived at a point with management where we can lock some things in concrete. So what we are going to talk about next will be a little bit of that. Before I talk about the--you're going too fast, okay? Okay; I will say when to go, okay?

[Laughter.]

GENERAL WILLIAMS: Okay; so, let's go back to significant management actions; okay. All right; we've started 54 new embassy facilities in the last four years. We have opened 14 of those. Our people are in these improved facilities. We have 40 under management. We expect to open another 10 this year. We expect to start another 13 this year, including Baghdad. Four years ago, we were managing about $0.7 billion of work for our government. Today, that portfolio exceeds $4 billion.

Our OMB rated our new construction management at 97 percent effective for execution. We have 15 to 20 very reliable large American contractors working with us now, versus two or three years past. Just giving you some perspective; now, moving to a significant management action: we have decided and are now institutionalizing our delivery method for our new construction. We will only vary from that when there is something very special, like a Berlin or

something like this. But for 90 percent of our new construction, the delivery method will be design build, including Baghdad. Next slide.

We have worked very hard, and we have listened to industry and used our own reviews, our accountability reviews, and know that design changes and tweaks of design runs counter to what we want to do, so we have pledged and taken a lot of good input from this panel, and we're going to get it right on the front end and minimize and attempt to eliminate design changes. So this will be something that we will talk a little bit more about and also not only design changes but tweaks as well to our designs. Also, we have institutionalized our standard embassy designs.

This is a generic construct of what we see as a set of structures that should be on a compound, be that a chancery, an operational building or general services buildings or our Marine quarters, even down to recreation. We have institutionalized that approach as well.

This next bullet talks about our

stewardship report, which all of our panel members have received a copy of. We render a report to the stakeholders, and the stakeholders in this case would be, first of all, our Congress, the OMB, every ambassador, and obviously, the key staff of the Department, this panel, so that it's unmistakably clear on everything that transpired in the Overseas Building Operations in a particular year is recorded.

We also show in this board of directors report, that's what it basically is, every initiative and all the work that has taken place. I must report to you that since 2002, the Overseas Building operation has saved, through working with our contractors, working with our consultants, listening to the good ideas from this panel, and our own internal tight controls enough money to build a new facility every year. Now, this is what we've been able to do. Whether we're able to sustain that is to be seen, but it's a matter of record today that the last three years, we have had that type of success.

This next bullet talks about intense focus now on discipline. That's what we will hear a lot about. Now, I know there are some who don't like to hear discipline; I'm already hearing it in my own organization. They say gee, what is this? Is he going to have us do pushups or whatever? You know, you take whatever piece of that you want, whatever you want to deal with. But discipline is--which I know all the CEOs sitting around the table understand clearly what we are talking about.

We are talking about process. We are talking about ensuring that we get it right, we maintain it, and so, there will be a lot of discussion around discipline. We want clarity around risk allocation. We want to know who has it going in, and we don't want to waffle about it. You see, this is what we are talking about: we want that process. We want to make certain that we deliver on our promise. We owe our stakeholders this, and this is very important.

We've also asked particularly our design and engineering area to think out of the box and

look smartly at ways to ensure that we can we can police our program up. And to that extent, Bill Minor and his people have been looking at ebids, for an example. I introduced this to the senior staff a couple of weeks ago, and it was received with a lot of enthusiasm. We have to pilot it; we have to model it and make it work, but it's an excellent idea of bidding in a more 2005 way.

The whole notion of looking at greening up the buildings and making sure we connect to that, energy conservation and all of this; all of these issues now, now that we sort of got the institutionalizing management actions in place, we can begin to discipline our process.

More effective and more attention being given now to risk management. We work overseas. Every place we work, 90 percent of our work is in a developing country, so those countries have issues, sometimes wars. There is no, quote, area where we work other than a few where we will discount unrest. So we have to make certain that we understand the risks associated with working there,

so these are the processes we will be working with.

Also, we have intensified our own self policing. We don't want the Inspector General or the GAO or anyone else who is in an overwatch posture, who has a very significant job, to come into OBO and find something that managers should have already found. So what we are doing is self-policing ourselves through a very intense internal review process, where we are looking at ourselves in an ongoing fashion. And all of that is just good government. So that's what we are speaking about when we talk about intensifying the focus on discipline.

Okay; a little bit of what's coming in the future: there will be some groundbreakings and ribbon cuttings. This next slide shows a ribbon cutting we had since we last met in Sofia. This is in Bulgaria, and I don't know what you know about Bulgaria, but I would invite you to get your ticket sometime and go there just for the purpose of seeing this wonderful facility. What a transformation it is! This was something that we

can all be very proud of.

This next slide shows a series of groundbreakings one day after the other through Central America: Belmopan, Managua, and Panama City. This occurred since we last met. This next slide shows another groundbreaking, and this was in Rangoon that we participated, Joe did.

This next slide speaks to the Baghdad projects. And I just want to say a word before we go to the next slide, because you hear a lot around and about; the funding is currently being worked on the Hill for this facility, and we are planning to move ahead as soon as that event occurs. This next slide shows what we have done, because we're working down two different paths. We have an interim phase, where we are using several existing facilities with the exception of housing. Chief of mission residence at the top is an old villa. The chancery or the operational area is an old palace. I'm sorry; the chancery is also a villa, and the annex is the old imperial palace. And what you see down at the bottom represents the housing that is

currently in place temporary; you can see the single bunk, the closet, the wardrobe, et cetera.

This is about as good as it can get in an interim mode, and it's been our position since day one that we would only plan to have our people in these temporary facilities for the shortest period of time. That is the foundation for the supplemental that we submitted. And I know it was some discussion about why and whatever, but that's what drove the supplemental.

This next slide shows a picture, and if you can follow the outline of the yellow lines around this, if you follow these lines, that represents a site which is 104 acres. We will build on that site. This will be one of the larger sites that we have encountered. One of the reasons Jay Hicks is in Baghdad today, well, en route, is to put the final touches on the filings of this property arrangement, and then, of course, we will build in that location.

Now, what I'm going to do here, and I know at least seven or eight people in this room

understand this, we are going to use a concept of execution that is different for OBO. It's going to be the concept that I was fortunate to use and test out when we built Fort Drum, Upstate New York, and I know that there are several visitors here who understand and followed that process quite well.

We had to stand up this very, very large facility for our light infantry, war-related as well, so this has so much attached to it. So what we will be building on these 104 acres is a diplomatic community which will include not only the operational buildings like a chancery and a consulate and all of that but will have a rather extensive utility package; will have more setback than what we would normally have; we'll increase it by 50 feet so we will have a 150-foot setback here; also, housing, we will have a package of community facilities that would include all that you would need for community: a retail shopping area, something equivalent of a Food Lion, variety shops, et cetera, et cetera, so that you don't have to leave the compound to get a haircut or that kind of

thing.

There will be something similar to fast food and the like, service gas station, Post Office, health dispensaries and that kind of thing. So it will be a different kind of a concept. We have assigned ourselves 24 months to get this done, and if we did Fort Drum in three years, we ought to be able to do this in 24, so that's what we are up against with that.

This next slide is a little bit for you to keep you up on where we're going. I've already indicated that we have a big plate going forward. This next slide shows the next opening. I'm sorry; go back; you're going too fast; okay. This shows Yerevan, which is in Armenia, which will be our next opening. We'll do that next month. Next.

This shows two facilities. This is Frankfurt, Germany. It's an old hospital. I often tell the story of our two sons were born in that hospital. So it has a lot of significance. We're taking this 19-acre complex and reworking it, and it will become a regional center. We hope this

will open sometime this summer.

Cape Town, South Africa, a big consulate, should open before Christmas. Next slide. This shows in Uzbekistan, in Tashkent. And hopefully, in about a year, this will open, and Dushanbe in Tajikistan, which is in an equally difficult area but has a lot of wartime significance to support Afghanistan. It should open sometime this summer as well. Next slide.

This shows Cameroon, and since I have just seen him walk in, and he happened to be here for some training, I'd just like for him to wave at you, the project director, the guy who's on the hot seat in Cameroon. Didn't I see Rob McKinney around here? He's sitting on the floor. That's where he should be. He's tired.

[Laughter.]

GENERAL WILLIAMS: Okay; but Rob also built Dar es Salaam for us. So you see, when you build one thing, and you're successful, we award you another equally successful opportunity. This is Luanda in Angola, very tough area we're trying

to work through. Next slide.

This represents two different parts of the world. This is Phnom Penh; should be a Christmas present. This is Bamako, Mali, which is coming along very nicely as well, in West Africa. Next slide.

This is Kabul, Afghanistan. This is the rendering of what our new facility will look like. And of course, this will be a summer phased opening. We hope to have the preponderance of the new construction, that is, the NOB, the housing and so on, done early summer, and then, of course, the follow-on package will be later. Next slide. And that's the OBO coin. That means it's finished.

Okay; I wanted to take just a little time and get you up to speed, because to let you know what we are doing, and that's just kind of a snapshot of it and to give you some idea as to where we are headed these next four years. We will be, hopefully, doing what we have done as well or better but with more of a disciplined flow to it, and we will be counting heavily on this panel, as

you have been so supportive in the past, to help us out with that.

And having said that, before we get into the business, I need to report to all in attendance that our panel has been rated, because this is a governmental-controlled apparatus, we have to be chartered, it's open, and that's why we have minutes, et cetera, and of course, membership and all of that, the panel membership is all fully disclosed. It's rated every year by a poll that is done by professionals, and we have always fared very well.

I've been told this year that we will be rated, this panel will be rated number three in the nation, and if I get this wrong, Gina, you better correct me, because I'm going public, and that is a good thing. When you think of a panel that has developed and worked itself to be recognized in this way, I think this is very important. I'd just like to read off a couple of key things that the evaluators found: strong and solid leadership; agenda and pre-meeting material outstanding; one

point of contact for the panel to deal with with the government, and that would be Gina.

And she just got an elevation in duties. I should mention that as well. She is now the manager of external affairs. That means you. So she's Miss Outreach. Also, constant communication and feedback was a strong suit, communication between everybody in meetings; general relationship, that is, industry working with the government was considered outstanding; mentoring and pairing; the right mix of individuals to carefully work through issues.

So we are pleased that we have been able to spice the board in such a way that we have the proper mix. We have agencies and Department representation here. We invite anyone who would like to come in: the GAO, the Inspector General, the White House Liaison, the reporters, anybody who wants to come watch this process, we are pleased to have them here. So this was one of our strong points. And then, of course, through the year, and hopefully, what I've given you this morning is our

way of keeping everybody informed. So those were the factors that graded your panel out.

Okay; any questions of anything that I've chatted about this morning?

[No response.]

GENERAL WILLIAMS: Okay; it's work time. Okay; you've already had your homework, and how do you like the new booklets this time? Okay; we've put a little bit of art in as well. The very first topic or issue that we have that we hope you can help us with is a question, and it is what management tool or tools, approach or approacher do you recommend to ensure that the designer and the construction manager are on the same page? I know it's just like the computer when you, you know, you walk up, and you look at it, and it's searching, it's thinking. So I know this is what's happening now.

I'm going to tell you: this one did not come from staff. It came from me, because this is a part of this whole process of getting sharper and getting closer to the ideal. So I know we may have

sort of touched on these at previous sessions, but I want to see if we can sharpen in focus a little bit more. S.G., what do you think?

MR. PAPADOPOULOS: If I take the classic definition of managing, planning, organizing, directing and controlling, I would suggest that what we have found out is the issue of communications, and communications not necessarily in the sense of a verbal, written type of thing but interfacing and continuing relationships.

As a response to this management tool approach for minimizing the conflicts that may exist between a design person and a construction manager, what I would suggest is to bring the designer and the CM together as soon as possible. I think it's extremely important that in the life span of a project that the CM and the designer are together from the beginning as much as possible.

That would be one issue, and the ingredient in getting them together will be to hear very effective communications, preferably at the beginning, a very face-to-face type of meetings and

developing the necessary relationships that are important in every project and then setting up the proper lines of communications; either it is through a written form or perhaps sprinkled with a certain type of meetings.

I would say that would be the most effective approach and tool on making sure or at least putting the stage for the construction manager and the A&E designer, if you will, to be on the same page.

GENERAL WILLIAMS: Well, you see, I think he made the case for a team, and without taking anyone else's thought, why don't I hear from someone else?

Craig?

MR. UNGER: If I could, I'd like to make one brief comment on the panel's rating that Gina shared that report with us is reading through it, it certainly was a good feeling. I've been very fortunate the last couple of years traveled the country over, and I've had an opportunity to speak in front of a lot of groups, participate on some

panels, and a lot of the feedback I get is various complaints working with some government agencies, whether they're inconsistent or inaccessible or ambiguities of working with the program.

And I must say I've gotten--and I've even asked for it occasionally--no complaints from State. I think some folks who may not agree with every single thing that you've embarked upon the last few years, they certainly--no one is left out in the dark who hasn't had an opportunity to participate. I think it's been a really good industry panel to mimic. Being the competitive person I am, and we were number three, I did notice it was not one-tenth but one one-hundredth of a percent behind number one and number two, so I can only surmise to get to that next level, perhaps the other panels had some type of site tour or something, so--

[Laughter.]

MR. UNGER: But--

GENERAL WILLIAMS: I understand; okay.

MR. UNGER: But I did want to certainly

congratulate you on the leadership effort and the great opportunity it is for all of us to participate in this panel.

As to this question of getting all these folks on the same page, one thing I do, too, is read a whole lot of RFPs that I can get from a lot of different agencies, not only Federal but state and municipalities, and I frequently see the role of the contractor in the design phase. Rarely do I see, whether it's in the government's proposal or in the RFP or the proposal, do I see the A&E's role in the construction phase. I think that we are selecting a team; I'll certainly underscore what George said. I think that's just so vital, so important.

I've seen most recently, looking at best practices, and I frankly think we learn more from projects that go south than we take for granted when things work well. A particular contractor was just an extraordinarily good hard bid contractor. However in this design build environment, I don't think they fully understood that when you see a

door on a drawing, you need to understand there's a door stop included; there's a lock; there's security hardware, and some of that, as you open up and get more competition, some of the folks that were very, very good, I think, at providing under the traditional design build environment, bid build environment, have a transition to make.

And it's kind of like in sports, I think, a lot of times, the best players, we see it very frequently, rarely make the best coaches. There's a different skill set there to work in this team environment. So I would certainly add to the fact that on that team, 80 percent of the work, as most of us know, is done by the specialty contractors, the subs. Not including them early on, as George said, with the key players, I think we miss a lot of opportunities, innovative, creative solutions.

And then, I was recently at another industry panel, and I should have known this, but the figure came out at 50 percent of most of the major projects done are actually fabricated and manufactured off-site. And sometimes, out of

sight, out of mind; maybe in the up front is getting, whether it's mockups or whatever from a QA/QC standpoint.

GENERAL WILLIAMS: Okay; thank you, Craig. I appreciate your comments, and I will go to Robin and then Ida.

MS. OLSEN: I was just going to say quickly that you said in your previous talk that you're making sure that your plans and your specs are very clear. I think that is the key thing, because the CM is supposed to represent you. So if the CM gets involved way early and interferes with the design, I mean, if you have things that are very clear already, why spend that extra money up front?

So I believe that, you know, the clear plans and specs are really what will be the most important.

GENERAL WILLIAMS: Okay; clear plans and specs.

Ida?

MS. BROOKER: I think there's another

element here that is not recognized by the question and the way it was asked is that it doesn't matter if these two people are on the same page if it's the wrong page. And so, our approach now is that we start every project with a user group, which is the people who are occupying the space as well as the design and the construction element, and together, they do workshops that talk about what the goals are, what the aims are, and, you know, I was talking, building on the previous comments about that teaming, it's not only teaming of the people who are going to be there during the construction, but it's teaming with the people who are going to occupy on the long-term.

And it doesn't necessarily matter if it's the people who are going to be in that particular facility or not but people who are in like facilities that can give guidance on, if it's a scientific project, a scientific bent; right now, we are doing a lot of work in the office of the future type of thing. What is the office of the future going to look like? What is the generation

graduating from college today going to be expecting in the workplace of tomorrow?

And we're trying to work that out, and we're doing that together with all three components--well, I guess maybe four, because we're also including the contractor and together making sure that they're all on the same page, not just pieces of it but the whole group, so that we know that we're going down the road to the same ultimate goal. And I think that that is far more important than just pieces of it being coordinated, because then, you all end up with the success.

GENERAL WILLIAMS: Excellent.

Todd?

MR. RITTENHOUSE: A couple of thoughts. Of course, having a design build program, just, ultimately, you know, there's one point of contact, and that's the contractor to you, and the contractor can, you know, whip the design team into shape. But there are many times on some projects, even on some of the embassy projects, where, in the early stages, the AE team doesn't, you know, we

want this project; we can show them something different, and they have to be reminded that they weren't hired to do something different in this particular case; to keep on track.

And so, two points that I've seen both with OBO projects and others are is a program or a project confirmation meeting to make sure that everyone is on that page from the get-go, on day one, both sides know that this is the objective. We are allowed to play with a couple of things with maybe an embassy. This is the area you can play; this is the area you cannot play in. This is the objective of the project; this is not the objective. And so, if you have this program or project confirmation meeting, that goes a long way.

The other thing, and to Joel's point from a second, from a project we're working on together, there's a fellow, and I'm not really even sure what Jeff Landis' role was, but we brought him on as the--he was the--I don't know what his title is, and Joel can tell us, but his role was to keep the design team on board for the implementation of the

construction.

He's from Cokely Williams, and it's the EEOB, the Eisenhower Building that we're working on together. And his role there was kind of a design manager for the construction team. He can tell more about this and maybe speak better to it. But his role was he was not in charge, as far as I know, as the designer, he was not in charge of building it; he was in charge of making sure that everyone got kept to the program that we were hired to do and got all of our work done on time and within the scope.

And he didn't sit there and try to beat money out of us. He kept making sure that we were on the program for every deliverable that came through the door. And so, those two things, I found very beneficial both for design-build projects and for conventional bid projects when the CM comes on board.

GENERAL WILLIAMS: Probably discipline in the process.

MR. RITTENHOUSE: Absolutely, it's all

about discipline.

GENERAL WILLIAMS: Okay.

MR. ZINGESER: We'll skip over Derish for a moment.

I'll start by just saying thank you again for having me here. I apologize for not being at the last meeting. I really wanted to be here but couldn't be, and as always, it's a great privilege and honor to be here and participate in this panel and with your program.

To speak directly to your question, you're asking about tools, and I'd like to get to that, and those are going to be things that you've all heard before, and it's just a matter of how you use them. In your question, you talk about the designer and the construction manager. I want to make clear that when I'm talking about the construction manager, I'm not talking about a construction manager that you hire to provide services for you. The construction manager here, we would call the project manager for construction, and then, there's the designer.

What Todd was referring to is what, again, you know, this is not rocket science, and I'm sure other design builders do exactly the same thing. We have a person and a team organized as our preconstruction services team, and there is a preconstruction manager. The key to that process goes back to the two pieces that Robin and Ida mentioned. The first is the owner or the customer. I'm much more concerned about the designer and the construction manager being on the right page than being on the same page. That's to begin with.

Once we have a good sense through meetings with owners to confirm and affirm that all of the elements of the program are clear, that we're working and marching to the same drum, then, it's a matter of managing the communications between the doers, and managing that goes right back to the same old stuff that we always do, which is very, very meticulous tracking of RFIs. That starts with the proposal phase. We ask you questions; we continue to ask you questions. We track those questions. We want the answers.

That same system is used internally between our designers and our construction managers and the subcontractors, and that's the fourth part: the subcontractors have to be brought on early. They're part of the design process; they're not something later with certain exceptions. And then, all of that information, communication, and tracking of it, making sure the answers are made clear are really the tools. It's meetings, communications, tracking the information, and managing the process sort of in that way. I don't think there's any magic. I think it's a matter of doing it, just doing what's obvious.

GENERAL WILLIAMS: Excellent; thank you. Derish, anything?

MR. WOLFF: Well, thank you. Sorry for being late. Well, I always agree with Craig Unger. I want to just take a little disagreement. I also agree that maybe there was some suspicion in that one point difference between us and the other two, and I thought it might be related to an Olympic-type visiting programs until I noticed the two that

ranked ahead of us were cemeteries and infectious disease.

[Laughter.]

MR. WOLFF: So alas, it's not a good cover.

[Laughter.]

MR. WOLFF: There may be threat elements that got them higher; I don't know.

[Laughter.]

MR. WOLFF: But I agree very much with what Ida said. I think one of the issues on coordinating--I think it's relatively easy; if you have an architect engineer and subs who are on board, who are committed to the design-build or to a construction management process, I think most of them will tow the mark and understand what they've signed on when you make the proposal, presentation.

However, I think Ida is 100 percent right. One of the problems we get into is how important is the design build or the construction management process in the priorities? Is it really a client's priority, or is it just their construction

division's priority? And one of the problems you get into is you find, for example, the construction manager is spending or the leadership of the construction manager is spending a great deal of time talking to the client about changing plans, changing ideas, which may be valid, obviously, and they don't even have time for the real dialogue. Their priority, their focus is with the client who is changing, and the client's priorities are much different than just bringing the building in or the facility in on time.

And that's often not really properly attended to, because one of our solutions always, as you know, is constructability reviews. However, half the time, the construction manager can't even be there, or when he's there, he's telling you what changes are being made in the process, so that's a major issue.

I think the other major issue is getting the architect engineers to buy onto the fact that this is a design-build process, as Todd said. I think the other issue that we don't address enough

is we're entering a period of increased staff mobility change. So you say, well, we worked for OBO for years. This contract is one of OBO's great contractors. This engineer really knows the OBO procedures.

But you have to look at the people on staff for all three players. They may have been there a week before or two weeks before. And Americans have this terrible tendency once you give them a job of taking charge. And they may not have--so Joe Toussaint may know exactly what he wants, and you may know what you want, but the person you hired or the person I hired may have different ideas.

And we're not sitting in; we're not mentoring them enough to find out whether, in fact, they're actually enforcing what we think we've all agreed to. And it's frightening. Your former boss, Caspar Weinberger, used to say I don't answer telephone calls from buildings. And because of this idea that people suddenly get authority, and it's frightening when you find out that their

superiors aren't in line with what they're saying.

And this is true on all sides, including Berger. So it's something we don't pay enough attention to. We're beginning to more and more at Berger.

GENERAL WILLIAMS: Excellent; yes.

Go ahead, Ann.

MS. LEWIS: I hate to follow after Derish. It's a hard act. But I did a poll of our construction managers in this past week to ask them what is it? What are your greatest tools for doing this? And the first word out of their mouths was communication; the second one was discipline, follow the process. And I'm getting affirmation, I guess, from everybody else that yes, there is a process. If you do constructability reviews, if you hold monthly meetings, if you monitor your CPM schedule, and you follow the process, and you have discipline in it, you will have that communication. You will all be in the same room talking to make to sure you are on the same page, and it does work if you follow it.

GENERAL WILLIAMS: Excellent; yes.

MR. PAPADOPOULOS: I would like to add a couple of thoughts, because I'm staying within the question, the essence of the question. And what I think the tool and approach that management should be using here is a hybrid between a pyramid type of organization and a linear responsibility chart, if you please, in putting a project together.

What I'm concerned about in any construction project is having, doing a building by committee. I think it's extremely dangerous. And the emphasis should definitely be on discipline. Somebody has to be in charge. Somebody has to be driving this, and I think the idea is to define properly the areas of responsibility of the various parties; either it is the A&E designer or the construction manager.

And putting this merging together with a lot of emphasis on the discipline and staying within the areas of responsibility of each party and staying within the correct page, as we say, and all of those things. But that would be an overall

approach, and again, I emphasize that the tool here is communications, effective communications.

GENERAL WILLIAMS: Excellent. This has been a terrific dialogue about this. And I think I agree with Joel, it may not be anything that most of us have not heard before, but I think the context under which we are having this discussion is very helpful and useful.

It was pointed out very clearly that the right page might be a better descriptive of where we want everyone to be, but as I went around and listened to everyone, I came away with a collection of signposts. If you're looking at to make certain that you have your design apparatus and your constructing apparatus on the right page, then, you must start, number one, with delineation of responsibility so everyone kind of knows what we are doing; there was some discussion about priorities; what is making certain that we don't have mixed priorities, making certain that all players understand this.

The other one was, which was very

important, was mentoring partners, don't make an assumption that all partners are at the same speed, which I think is very useful. It was pointed out that buying in that Todd and some of the others mentioned is important, because if you don't believe in the approach and the direction, it's going to be treated that way. We are all professionals. We know we can fake it if we want to. But you have to be bought in from the very beginning.

Also, some very interesting offshoots of this: as Steve pointed out, this whole notion of committee, which happens to be one of my major concerns. I don't believe that the kind of work that we are doing can be done by committee. That got us in trouble or got the Department in trouble in previous years. There has to be a driver or focus, and it has nothing to do with who's on the team, but it has to be driven from one point to make sure that the end game gets there, because the trouble with committee is that everybody has an opinion on a committee, and they begin to vote, and

sometimes, they vote in the beginning; sometimes, they vote at 35 percent; sometimes, they vote at 80 percent or 100 percent, and some want to vote even when you're commissioning the project and say well, gee, that room should have been over here or whatever, so that committee, I really appreciate you bringing that one out.

And all of that, I think, what all of you said and particularly some of the points that Joe put in place ties into this whole focus that we are trying to deal with now, and that's discipline.

So I think all of this was very helpful. I'm just going to ask whether or not the staff, Joe or anybody, Bill had anything to add to anything about this discussion.

MR. TOUSSAINT: I actually would like to hear from my two Bills, because they're the ones who struggle with this daily; from my perspective, the design build effort, we have clear handoffs when it goes to contract, and that is that Bill Pryor's construction folks are the CORs and are managing the process, and the reality is perhaps a

little bit different, so maybe we can put the two Bills on the spot and see how they work this through.

FROM THE AUDIENCE: I would certainly echo that communications is a key tool for us to examine. And to improve the structure of our contracts now has another characteristic. Not only are we putting together two teams, but we are putting together what are two very large team. The design team unto itself was always a very large and very complex team, and the building team equally so.

And now, putting those together requires a new look, I think, at the chain of command and the way we communicate through the team. There is a third party, which is the owner, the Government in this case. We have a voice. We communicate, and the builder now has to work very hard to talk to his designer's sub's sub. Even the government side cannot talk directly to the designer's sub, because I've got to work through my contracting officer, who then has to work through the prime, who then

has to work through the design prime, who then gets to the sub. So communications is important, but we don't have clear, open channels of communication with such a large and complex body of folks working.

GENERAL WILLIAMS: Excellent point.

Bill Pryor?

FROM THE AUDIENCE: Yes, I would agree with Bill that we have this large group, and individuals establish relationships within that group, and next thing you know, those individuals are drifting away, and nothing will get me in trouble quicker than that.

The second part of it is that I personally struggle with is about one-third of my staff is brand new, either brand new to the Government or brand new young or that sort of scenario, and the mentoring thing strikes a strong chord in mine, because I am putting people who are in theory managing this group, and if they're not on the same mind set, then, we start giving multiple approaches, and nothing will confuse the

contractors that we're working with than being told two different approaches to the very same problem. And so, that consistency within my group is something that we struggle with, especially with new people.

GENERAL WILLIAMS: Excellent.

MR. TOUSSAINT: Let me just add a few comments to that. In the area of--there were some comments about including the design; after all, design build, including the design member as part of the construction team I think is hitting a target. I basically say, you know, no good deed goes unpunished.

So when you try to help, whether it's Elaine's interior designers trying to help clarify a design issue, you need to realize that you're working with the general contractor or the design build contractor needs to be at that table. Otherwise, you're going to find yourself six months from now with an unfortunate misunderstanding for that favor.

The other thing, as General Williams

mentioned, I had the honor to represent OBO and the General at a groundbreaking ceremony recently, and I was struck by the fact that the particular contractor, this is design-build, had sent three vice-presidents. And I said, well, this is very nice. Did you think to invite your design partner to this?

Well, that hadn't occurred to them and was not felt to be necessary because they had an internal quality control apparatus, which is good in one respect, but I wonder if, you know, I'd be interested in any comments you may have on that of how you make certain that as the owner, you're getting the design--everybody signed up to this, and you have all of the management of these efforts; it's more than just pushing paper sometimes. It's seeing that the paper that is pushed are the right pieces of paper and not 10 RFIs where, in fact, one simple ask the right person the question, and you'll get the right answer.

So those two points are things that I

think we struggle with in getting all of our DB teams, the contractors, to really clarify the communications with us and see the they've got the right people on the team with our committee members.

GENERAL WILLIAMS: Okay; are there other questions by any of the panel members?

Yes.

FROM THE AUDIENCE: Just to speak what Joe is talking about right now, and as I've been listening to all the comments in the room, coming back from private industry and having worn several hats for many years in private industry, what I feel I hear you talking about is that owner's rep position. And is it not true--sometimes, you look in the mirror, and you don't see yourself, but it is OBO that is playing that owner's rep role, and so, you're really asking for more of a definition of OBO here with regard to the person that's making sure the designer and the construction manager are on the same page.

GENERAL WILLIAMS: Right; yes, it's our

question. We're just picking whatever we can from industry in terms of ideas, yes. It is our issue to manage, and that's a part of the whole path going forward; that is, to get sharper and more focused in this area. Yes, you're right on target. That's our focus.

Are there--okay. We deliberately kind of started with this one, because we know that it's, and we could really spend all day, you well know, talking about it. The whole reason for putting it out is because this is an area that we know that's where it really happens. Anybody sitting around who's been with the industry for any period of time knows that this question got it all tied together, and I think from the comments we've gotten, it clearly gives us some fresh areas to think, and you just need to know that we are wrestling with this.

We are trying to make it better, because there's not one organization in government or out of government that does not have this as an issue. So we just wanted to try to get this out front, and I really appreciate the level of interaction and

your sincerity about it.

Moving on to make certain that we can cover a few others here, and I'll let Bill or one of his people speak to this, but if we look at number seven, what programming methods do you use to account for mechanical and electrical space needs in your facilities? And what is considered to be a reasonable space ratio and so on? And this whole question deals with the amount--and obviously, there have been some issues with this--the amount of space allocated for our modern mechanical and electrical systems.

So we just need to hear some thoughts about it. It's more of a--might be more of an engineering question, but let's see where we are. Bill, do you want to expand?

FROM THE AUDIENCE: I'd like to discuss a little bit about the background. As we said many times, we always try to find some industry solutions to what we're doing. I think advice we've gotten from the private sector, Gensler in particular recommended we look at BOMA. We've been

using BOMA to some extent, and it's not my office but really the planning office that's responsible for space programs. But the PE family has to execute its own; that's why we put the question there.

Currently, we describe our space requirements in our buildings in a contractual sense through three documents: one, we have a traditional space requirements program that itemizes each space and the size associated with it. Sometimes, that's a square meter mark; sometimes, it's a percentage of net, and that's when it gets a little bit confusing.

The second element we have are actual drawings of the standard embassy design, the medium SED, and it is a core and shell arrangement. We show the extent of the shell, and we show those core elements: elevator, bathroom, as part of that. They have a spatial characteristic to it. It is a measured dimension drawing. And then, we have a body of work called the Requirements Integration Package that comes out of our interior

and furnishings group that actually is a catalog of completely furnished spaces, of how is the typical ambassador's suite laid out, with every desk, chair, piece of equipment and so forth.

So we give the contractor these three types of information. They're sort of in different languages, and we get into a position during the execution of the job where we have to interpret these different languages, and that's where we have problems. That's where we sometimes have claims, or our expectations are not met.

And our one great recommendation that came out of our planning office; I think John Tata was the primary proponent of this was that we felt that as we moved forward in the SED that we did not need to prescribe a gross building size, that as the owner, we could focus on the net. We could talk about the usable space that we want in our buildings and let the builder control the gross, because that's coming out of his or her pocket, and if they want to give us a grossly larger building than we need for a fixed price, we'll take it.

I think that's working fairly well, but there's still a lot of work that's associated with coordinating these three different types of space definitions, and we wanted to know what had been your experiences in this area in defining your space needs.

GENERAL WILLIAMS: Okay; you got it in the proper context now.

Okay; S.G.?

MR. PAPADOPOULOS: Being a practicing mechanical engineer, this is one of my best points here, the space available. Let me put it this way: it all depends, and what I mean by that, if we are building an office building in Washington, D.C., the things are very, very well defined. We know the zoning restrictions, height restrictions, maximization of floor space. We're going to have a 10-foot floor slab-to-slab regardless, and we're going to have an 8'2" ceiling, and we're going to pack everything in there, and that's the end of story. But that's for an office building. If it's a residential structure, it's different. If it's a

hospital, it's different.

As a rule of thumb, basically, as a rule of thumb again over so many years, we found out that at 10 percent of space allocated for M&E space is a reasonable thing to start with. We know it's going to be reduced in the process. And the issue that everybody fails to see because we're very, very concerned with an end product to deliver the job and not look at it in its life span is that mechanical and electrical spaces are directly proportional to O&M. O&M is extremely important, depending on what space available is there, first of all to properly maintain the various equipment, mechanical, electrical equipment, and secondly, replacement. Things do change.

So I think there are several studies; usually, Federal office buildings are more luxurious as far as space allocation is concerned for maintaining equipment. Hotels are the worst thing you can have, because everything needs to be back, even sharing spaces with various components.

The guideline, again, is I think what's a

reasonable area to start with is the 10 percent that we are suggesting. Reality, we end up, particularly for things like the NECs, the new embassy compounds, which are office buildings and a certain amount of residential, we'll end up about most likely around 7 to 8 percent of the area being allocated to the M&E.

I don't think you want to let the person who is going to deliver the facility to work on a net, because mechanical and electrical spaces do require general construction, and there's costs associated with it. There is the cost there need to be driven down, and that in turn reduces the volume or the space allocatable. The message that I'm trying to get here is to remember that the space available to put mechanical and electrical equipment is directly proportional to the performance of the O&M and to the life of the building.

And this has to be brought to a very sensitivity level for the designer, particularly the architectural designer and the structural

people to understand that just sticking a column in the middle of a boiler room sometimes doesn't work. It is kind of difficult to change tubes or do things that are necessary in the life of a building.

Thank you.

GENERAL WILLIAMS: That's very interesting.

Let me ask John Tata: what was your thought behind the net?

FROM THE AUDIENCE: Just that in the final analysis, we're concerned with the use of the space within the building. Now, I will point out that we actually describe a net area for mechanical/ electrical equipment. We don't leave it all in the gross. So, and in fact, some of the things we are doing now are test bids to make sure that we have adequate space and that there's adequate room around the equipment so that we are, in fact, allocating space; it recognizes what equipment is going to be placed in that space and how you need to get to it for its operations and maintenance.

But we do, just going back to the point that was made and what he had to say, we do ascribe a net area for mechanical/electrical equipment. I think that the genesis of this question is that there has been some controversy over the adequacy of that area and whether it's adequate, taking into account some of the considerations that we have with regard to chemical and biological threats to the building and the equipment that needs to be placed in that space for that purpose and also the track record, which Bill can speak to better than I can, in terms of how the buildings are coming in in terms of their actual design and how much space is actually being consumed to adequately house the mechanical and electrical equipment, because if it's coming in at a higher percentage than what we're allocating in terms of the net area, then, we would make an adjustment in how we program the building; otherwise, we're fooling ourselves in terms of the budget we establish.

So that's, I think, at the heart of the issue is are we contemplating buildings of the size

that are going to be delivered so that we are, in fact, accurately estimating their cost so that we don't get surprised when we go to contract?

GENERAL WILLIAMS: Okay; yes.

FROM THE AUDIENCE: Could I ask why not just prescribe a minimum gross, and if people want to go above it, fine? And you can have your strict net? But this will give you some flexibility in making sure you meet some minimum gross requirements. Because otherwise, if you leave it to the profit incentive on a design-build basis, you will get an absolute--

GENERAL WILLIAMS: Excellent discussion.

Let me ask, are there any other panel members who would like to speak to this subject?

[No response.]

GENERAL WILLIAMS: We're talking about space here.

[No response.]

GENERAL WILLIAMS: Okay; Joe, you have anything? Okay. Okay; well, I think you have helped us continue to think this, and of course, a

couple of warning flags you raised as well, which we will take into consideration. The whole effort here is we want to try to get it right, and we spent a lot of time wrestling with this, and Bill and his group does.

We travel; we go out in the field, and we pick up issues from a practical point of view. We bring those back, and we toss them to both Bills for them to sort through. So we know that it's not a perfect construct in place. So a part of our--the next few years of fine tuning and disciplining the process, we want to look at this, because we want to make certain that we come out with the best construct for the Government.

So your comments have been very helpful along those lines, and our planning staff along with our design staff will take these under consideration as we move forward.

Let's look at one more, and it's number three, and the reason I want to come back to number three, because, if you notice, we have already kind of institutionalized that delivery method, and I

just want to make certain that we all leave here today and with your guidance and counsel that we know what a true design build delivery method is.

MR. UNGER: Well, I do have a couple of comments on that, as a matter of fact. There are several ways I see design-build defined. The common denominator is this singular responsibility. Sometimes, the word true design build is looked at as really performance based specifications, truly what is the target? What is your desired outcome? And going to design criteria, to preliminary design, to bridging documents, to prototypes, all along the continuum, and what we see mostly is a hybrid, and I think most design builders appreciate if you know what you want in a particular area to not waste a lot of time in having them define that.

But I think it probably goes back to your evaluation criteria. As you have done, again, 54, wow, that you've kicked off already, you've got some great success stories. You've got some great team players who have delivered some projects. To not get back to a low bid environment, and if I'm a

design builder competing, how do I differentiate myself among the competitors other than being low?

And what emphasis you're putting on other than price, I think, are critical in shaping the behavior. One of the other questions I know later on is schedule: again, more and more trends I'm seeing in the industry is, again, most owners that try design build are very cautious and put out probably more in their proposal than they might have after they've been through the process a couple of times.

Secondly, I'm seeing more and more incentivized RFPs of whether it's schedule or superior performance. And I've had a design builder recently beat on the chest and say never in the history of our company have we ever not achieved hitting those incentives. And he actually looked at the owner and said I've actually taken steel off of your job and put it over on another one to hit that incentive, and it wasn't a whole lot, but it might be something that I don't believe the State Department has used incentives in the

contracts to date; you may have, but that may be an area that goes along more with results-driven.

I know we always, in my agency, we picked a schedule. We knew we needed it by a certain date; we picked it. I'm not so sure that couldn't have been a good evaluation factor of turning to the industry and saying when can you deliver it and factoring that in.

The other, and again, in a perhaps true design build, I think I might have mentioned this in an earlier session, I was pretty much intrigued by a recent FBI project where they actually shortlisted three reputable design builders, and they had a Congressional mark like we all get and said here's the budget. I took off some of their contingency. I think it was appropriated $27.9 million. They took off a million for their own contingency, made it $25.9 million, and said this is the budget. Give me the best--this happened to be a training facility--give me the most, and they had a schematic; they did have a footprint to put out there, and there's so many sustainable designs

and leads and various additional value you might get in allowing a little more creativity, a little more innovativeness beyond changing your prototype.

Because realize, when you do that, it takes a whole lot of effort to evaluate all those new and improved solutions, so hit on several areas, but that was my sort of general thoughts of reviewing the question.

GENERAL WILLIAMS: Yes, I like the idea in your reference to the mark, because every project comes down from the Hill marked, so we live with that every day.

Are there other questions or comments around this design build concept?

Yes.

MR. ZINGESER: Well, again, this is going to be repeating an old tune for me, but alluding to what Craig was just saying about the evaluation process, the beauty of design-build, true design-build, is that it allows you, the owner, to go out and solicit creativity, to solicit new ideas, to solicit better ways of doing it, to end

up with better solutions.

And when you do that, the onus is on you to define your criteria: what is it that you are actually looking for in performance terms or in descriptive terms? But especially if it's in performance terms, those criteria, then, have to be so well stated so that the competitors know how they are going to be evaluated, whether it's down to literally an ASTM test of something on how it will perform or some other qualitative measure that will be used.

But putting that together is a big job, and the early days of design-build, I profess that it was jumped on by Government agencies as a quick fix: you had a lot of money; a lot of work to do; one procurement; get it out, done; somebody's got the responsibilities; they've got the risk, finished.

The fact is unless you, the owner, are willing to state clearly, as you have said you are and you do, what it is you want and then show the measures you use, you will end up with apples,

oranges, bananas, and pears. And that's not fair to the competitors or to you. So I think if you really move towards more and more true design build where you're opening the doors for some of these other parameters to come into play, whether it's green buildings or other things you want to incentivized, you just have to be prepared to make it real clear and make it a fair game for you and for the competitors.

GENERAL WILLIAMS: You know, that's very helpful, because you can see that most of these questions, these concerns, have linkage back to sort of the overarching theme going forward, and that is putting more discipline into what we are doing. And I think your comment ties very nicely into that, because we do have to start today thinking about more creativity, keeping a watchful eye on what the marker is, but moving closer to what we have adopted as a true delivery system. And that is having more clarity around what we really want in the way of specifications and design outcome.

MR. ZINGESER: The other side of that coin, and just to elaborate further, and I know it's not where you're going, but if you, in fact, took the standard embassy design, drilled it all the way down to the same exact building every single time, every single place, then you've created a commodity, and then, you are looking at a very different kind of procurement.

GENERAL WILLIAMS: Right.

MR. ZINGESER: And I don't think that's--

GENERAL WILLIAMS: No.

MR. ZINGESER: --I know that's not where you're going, and it doesn't work, but somewhere in between, that's where I think when Greg talked about the stream of bridging documents and other things that happen, that's why the system has either evolved or regressed. I don't know which way it's going, but where you have all these variations on the theme.

The only other thing I'll add, and I'm not a lawyer, is that the lawyers have difficulties with procurements where you have multiple bases of

awards or selections, sometimes, they do.

GENERAL WILLIAMS: Right. I thought that would draw you out of your chair.

FROM THE AUDIENCE: If I can give the perspective of a construction lawyer, currently, actually, we've just settled a design-build matter in the private sector with a design builder who built a major printing facility for about $100 million and then was sued by the owner for about $100 million. And we settled that for about 25 percent of what the owner was seeking.

But there are two major concerns that I have, I'd just like to articulate, and you may have discussed this previously; if so, I apologize. But in the design build context, you have two competing interests which we see in the litigation side over and over: follow your design versus profitability for the project. And unfortunately, those two interests are often competing. I think the engineers are perhaps a bit more sensitive to that, but I think the real estate owners and contractors are well aware of that as well, and we looked at

issues like value engineering, and perhaps a different topic might be does such a thing actually exist, because for less money, you often don't get a better product.

But the second concern which I think needs to be addressed is during the construction process, who is monitoring to make sure that the quality of the design is actually adhered to? In a context in which the designers are reporting to and hired by the contractors, you create an inherent conflict situation. And there are numerous examples in private industry where that leads to very serious adverse results. And I guess we'd like to avoid that on a going forward basis.

GENERAL WILLIAMS: Thank you. Okay; I think we can just tuck this one away. There's much more we could say about it, but I think just so that we all are on the right page about this, what OBO is attempting to do here is to sort of fertilize our delivery system of choice, and of course, we've had, you know, four years to kind of think about this and try it and see how it would

work and had the good counsel from this panel.

We have been over design build at every single session we've had, and this is about the 10th time that we are meeting now, and so, we will leave it today with the understanding that our path forward is to fine-tune the process, get as close to, quote, the true meaning as we can. We know we will never completely get there for a lot of reasons. We have to have just a little bit of transitional business in there. But it is our delivery method of choice, and we do have to pay attention to how all of this comes together. And it is working for us. It is not perfect, but it's getting us where we want to get. And so, we know we have chosen the right path. We just want to make sure that we continue to fine tune it.

Let's leave this now and look at, since the whole issue of O&M was raised a minute ago, let's look at number six, the best way to accommodate some of the O&M requirements, and Rich, whoever on your side put that on the table, why don't you expound so that panel can understand sort

of what kind of issues we're dealing with.

MR. SMYTH: Okay; among the factors that distinguish building for the State Department is the fact that we've got universality. We are essentially in every country in the world. We also have special requirements for both physical security as well as information security that have to fit into the program.

As we accommodate these imperatives, the security imperatives, as we attempt to accommodate the best practices in industry, buildings are clearly becoming far more sophisticated. We are frequently operating in countries where you can get pretty good plumbers; you can actually get pretty good electricians, but getting much beyond that, not only is the local direct training fairly limited, but the possibilities for advanced training in more advanced technology are essentially nonexistent.

What we have been within OBO have been doing some experimentation is is in terms of O&M contracts for these more sophisticated buildings,

particularly in areas where the local talent pool for performing this maintenance is limited. This is expensive. I'm not going to deny it. It's terribly expensive; adds to the cost, because you're talking about American personnel staying overseas with responsibilities for their care and feeding as well as the overhead to the parent firm.

We are wrestling with this; how is it effective? We are looking at how necessary it is. In areas, it is going to be necessary. And I'm struggling with the idea of, one, the second part of the question, what lessons can any of you give me about what you've learned from contract maintenance operations, keeping in mind the particular challenges that we face as well as the time line, kind of a time line here, as we've said, what's the best way to accommodate contract maintenance operations?

I'm particularly interested in the time line on planning and the role of the design firm in this. Thank you.

GENERAL WILLIAMS: Okay; you've heard an

explanation of that. It's looking out of the box again at a nontraditional way of doing O&M. Right now, the O&M is an in-house operation, primarily, and we just now are beginning to peek outside, and we're looking for ideas.

And as we peek outside, you know, it's some cost-benefit issues to deal with there to make sure that we are coming out at a posture that is an advantage for the customer and also for the taxpayer. So that's where we are. What are your thoughts? Yes, Ida?

MS. BROOKER: I think it goes back to looking at how you approach the construction of the project and how you look forward to the maintenance of that particular project and where you put emphasis during the process of the construction, and the reason I say that is that there are products that go into the building, of course, that have to be maintained over time.

Some projects are more cost-effective at being maintained than others. Usually, that's directly reversed in the cost of installation

during the construction phase of the work. So those projects that are expensive to maintain later are real cheap to put in during the construction phase.

So incentivizing or competitively bidding some of the construction without determining how you're going to do the maintenance after the fact and on what products is of real concern. So therefore, I don't know how detailed your particular documents are when you go in, but definitely, that O&M has to be looked at on the long-term.

Also, looking at the fact that you have complexes that are multiple construction projects, you need to look at some of the processes that you use on the whole operation of looking at maintaining a consistent plan or product maybe on a whole site basis, because no matter whether or not you maintain it yourself, or you maintain it with an outside company, the fact is there are cost-effective ways of doing it or not.

Then, what you need to do is look at the

needs for the maintenance, and of course, your responsibility that you have under your belt probably dates over 100 years in construction time, so you've got very modern facilities, and you have very archaic facilities. So the fact is that any given compound must be evaluated on a case-by-case basis to understand if it becomes more cost-effective to do it yourself or to have an outside firm, because it depends on staffing. If you need rotation of staffing that is more than what you want to maintain in country, then, it becomes a very easy decision.

But I think you have to understand what the requirement is; if you have a standalone building or two, does it make sense to have your own organization having all that number of people in country to do that? Do you have a whole compound, does it make it more attractive to do it yourself?

So I think you have to figure out how many people you want to maintain in country, what the requirement is, what the security risks are. I

think you have a whole list of pros and cons that have to be looked at to determine whether it's in house or a purchased service. But again, it's not a simple answer. My favorite answer to every question: it depends. And I think under the circumstances, you've got situations where do you want to do it? You've got secure areas versus nonsecured areas, so therefore, do you want to have in country personnel do areas that are security sensitive?

I don't know the answer to that question, but your experts probably do, the question being where does it become cost-effective for your organization? And the larger your complex to maintain, probably the more cost-effective it is to do it yourself; maybe not, depending on the cost of maintaining expatriates or whoever you're going to have doing that. Are you going to hire locally? Don't you want to be an employment agency for that level of staffing?

It all becomes an issue of security and security clearances and, you know, those kinds of

things, and it's not an easy answer. But there are pros and cons that you can list for evaluation. It also goes to another question you have here, which is how long, you know, what do you use for backlog, you know, and I think those kinds of things all enter into how much staffing you have. But again, there are issues that you drive out for each particular facility that you have, and you have to do it on a case-by-case basis, and I think because you're so far removed from one another, I think it becomes also an indicator of whether you want to do it on a global basis, or you do it on an in country by in country basis.

I think you have different risks and liabilities depending on where your particular facility is. So it's just those kinds of things.

GENERAL WILLIAMS: Well, Ida, I think you--and of course, I would be pleased to hear from other people, but I thought I would just mention one thing here to give the rest of the panel a bit more traction. One of the reasons that this is somewhat of a difficult issue for us, we know that

there are options in house, and there's a private sector outsourcing way to go as well, but we have a couple of constraints. One is the factors you just talked about, the overseas factors, and the kind of problems this creates for a third party apparatus, and then, of course, we have the budget problem as well. And it has to make sense from the standpoint of cost-effectiveness.

So those two issues are before us, and that's one of the reasons we just can't jump without discussing and talking about it. Because you raise and validate some very good points, such as where we're located and what we're talking about. And I might share with you what sort of got us here. In the old days, before we started building these new facilities, and particularly compounds, we were not building the new ones at this pace, so they didn't really enter into a big picture. It was sort of an anomaly out there by itself. But now, we're 54 and soon to be 65 or whatever, I mean, it's a whole different ball game.

So this was kind of a sticker shock kind

of thing for our planners, for not my planners but others who pay the O&M freight going forward. Now, I have a new complex. I've been sitting here at embassy XYZ in country 12345, and I have always for the last 50 years had an O&M budget or staff around this number and this configuration. Now, you bring this big monster in with all of this new mechanical stuff, and some of these mechanical rooms are frightening to a layperson just to see them.

And then, of course, what do I do with all of this? And they see dollar signs there; I've got to get more people; I've got to do this. Well, sure, you have to look at this in a little different way. I think it's more of a skill set thing than more people, and we would like to kind of talk about that a little bit.

So that's what causes the problem. We are hearing from our friends in the Department who planned the other side of this, the O&M, that my goodness, I got all of these costs. My utilities are higher. You've got more sophisticated air conditioning. You bump that against what you had

before; you had one window unit that didn't work and whatever, so it's all in the minds of what you're talking about. So you've got to deal with what Dr. Rice is talking about, this transformation business. You've got to get yourself transformed into where we're headed.

So that's what sort of illuminated the problem. Now, you have a new state-of-the-art facility in place. It looks good and everything else. The only problem is you need a real electrical maintenance plant engineer to deal with the electrical system. You can't give that to Mr. Whomever who's been doing this before. I think that's the larger problem.

And so, it's out there; we're just having to work through it and think about it, but we're being very careful about jumping, because if we jump and throw this out and have someone provide a service, you run into all the problems Derish talked about. You've got the mobilization of staff; you've got people who don't understand the foggiest idea what we're talking about; don't know

how to get around in the country; you've got the cleared American thing, because our embassies, you know, have got some sensitive areas. you've got all of this to deal with. And then, you've got a budget as well.

Yes.

MR. ZINGESER: This sounds like it might be another opportunity for some sort of a tiger team, because it sounds to me like, with all due respect, you got yourself caught, and it may not be your problem, but the Department is caught. You've been too damn successful. You've got too much going on. You're building all these buildings. you're outrunning yourself.

GENERAL WILLIAMS: You're right. You're right.

MR. ZINGESER: Seriously, there are a lot of things. There's this obvious immediate problem. You've got these buildings; you don't have enough people; don't have the right kind of people; don't have them in the right place; got to get them there, but then, there's another bunch of other

things that you might put in play as part of the long range plan. And I don't have the answers, but they've fit in the area of technology. We can monitor systems from far away. We can know how they're running; we don't have to be right there to know whether they're doing well or not.

There's also in the procurement side obviously tremendous movement around some of the other agencies in the Government to move towards design, build, operate and maintain. And that doesn't necessarily solve the problem, because the dollars still have to be spent someplace, but the idea is that the contractor is going to think real hard about the quality of what they're putting in if they're going to have to live with it, and you know that; we've talked about it.

The other factor is, and this is really going downstream or upstream, and that is if we could ever get OMB and the Congress to really think about life cycle cost procurement. They love to talk about life cycle costs as a way of looking at things, but go try to buy something on a life cycle

cost basis. I see Bill shaking his head over there. He's sat on that DOD side, and he knows what that's all about.

But those are ideas that maybe in some way, shape, or form, the time might come. But this sounds like a big problem, and it may require more than just near-term fixes, and I think that would be a good thing to do.

GENERAL WILLIAMS: That's an excellent point. I want to catch some of the others.

MR. PAPADOPOULOS: First of all, I would suggest that to reduce this intimidation of the mechanical rooms, we should paint them all one color.

[Laughter.]

GENERAL WILLIAMS: Like a dull gray or something.

[Laughter.]

MR. PAPADOPOULOS: No, honestly, we have learned certain things, and I would like to echo what Joel is mentioning. In our industry, we are finding out a new concept that's taking place, and

it's been called retrocommissioning. The retrocommissioning concept is taking hold because a lot of facilities and managers' facilities that we talk with are finding out that the energy for the building is too high; the environment for the workplace is not what they think it is, or things have changed.

So that process is taking hold and basically focuses on the second part of the question of whether we have learned from the contract maintenance operations. Contract maintenance usually is focused on a static solution for what is existing without taking into account how the building is really performing.

And in your case, like, we have the abilities to monitor facilities from remote locations. We can learn a lot about the intelligence of the building. We can learn a lot about how systems are being performed, and retrocommissioning is a new process that sometimes may require a certain amount of remedial design and a certain amount of construction to accomplish

these goals.

So while we are building a building, we commission the building, and we have an O&M, I think what is prudent after a certain period of time, perhaps three or four years later down the pike to look at retrocommissioning and perhaps build this building and optimize its performance for what it is intended at the present time. It's a continuation; it's like a periodic physical, if you please, for the building.

GENERAL WILLIAMS: Excellent. Well, there are other comments?

Yes, Craig?

MR. UNGER: I'd like to underscore the point Joel made. I mean, design-build is all about integration. We're seeing much more and more upstream finance design-build and then operate downstream. And in thinking a little out of the box, owners are extending the commissioning period beyond days, weeks, months, to years, again, to ensure, whether it's energy levels or wastewater, effluent discharges or whatever the desired

performance based specs indicate to ensure you get that.

But the other thing, the problem, the dilemma, sitting here thinking is the money all comes from a different pot is to--I would be curious to think that the FAR would allow an option to be picked up unilaterally by the government to do an O&M from, again, an extended period of time, because it's got to be maintained. It's going to come eventually. But I would still think the psychological effect of even if you didn't pick up that option of knowing that you, at your sole discretion, could require the design builder team to either subcontract that but be responsible for meeting your needs.

And then, in some cases, it may, I know here domestically, it's not unusual to see that, as Joe was mentioning, design build O&M.

GENERAL WILLIAMS: Yes, Derish?

MR. WOLFF: Just as a quick aside, we were earlier talking about design-build. When we go into DBOM, and the operator is really part of the

team and part of the owner, the complexities and the arguments jump astronomically. If we have trouble with design-build, say, getting on the same page, the minute you have a real operator, he or she has completely different views. It's really interesting.

GENERAL WILLIAMS: That's right. You're absolutely right, and we know that we can complicate the deal real quickly if we move too much in the committee direction. But what we're trying to do is to stay balanced here, because we know we have a follow on issue today, and like I say, a lot of it is in reculturing. We've really got to think through that it's different, but I think it's been some wonderful things put on the table.

First of all, I like the idea of using and taking advantage of technology to help us with this problem, because technology connects well, and it wouldn't create a major problem for Bill's folks to tweak that part of it. You can tweak a technology fix much quicker than you can some other notion

that somebody would have.

I think monitoring, because these are big systems; they give a lot of intelligence that someone who knows how to decipher what it's saying doesn't necessarily have to be there with a, you know, tools and everything to do with it. So this would--because, you know, we know the largest cost component would be labor, would be the person component, because you're paying that person to be overseas and to support and sustain them and all of that, so if there is any way to eliminate that and have it solved via technology, that would be very helpful.

So we see this as something we can noodle around and work with that. The design, build, maintain notion has been around for awhile, and those of us who have been in the industry for awhile know this is not new. We also know that there are issues with this as well. People have built roads and had to maintain them and all of that and also buildings.

So we have to be very careful about this

component, because it's a control mechanism, and getting everybody on the right page because the maintainer would clearly demand to have a seat at the table when you are writing the recipes, Bill, and so, that could complicate some things as well. So we know this, and we've just got to work with it very carefully.

To just try to do it without connecting it to the design-build, then, you give the three players up front kind of a free ride, because the designer and the builder, if the builder is not the maintainer, then, that creates some issues for us. So it's really not an easy one, and Joel pointed out some issues we have maybe with our own Government structure, where you're looking at the life cycle procurements and the like, then, but these are just big issues that we have to deal with.

Are there any other questions about this? We know it's a tough one. We won't solve it overnight. We sort of have a toe in the water on this. We're going to try it in a couple of places

and see how it pans out. And we don't know how it's going to come together, but we are not there yet, and we clearly are not ready to put it on the institutionalizing list until we can study it and look at it better.

But I do like the technology part, because even our friends in Diplomatic Security are beginning to think along these lines as well on how they can do some of their oversight and monitoring and so on to maybe help technology substitute people, because the personnel costs are really, really difficult for us, and it will be equally difficult for a consultant, I mean, for the private sector. They have to procure people as well and get over the train-up and the mentoring and all of this, and it creates a cost problem.

MR. ZINGESER: Within Government, there are people at NIST, at the Building and Fire Research Laboratory, that are continuing to look at new and advanced information systems related to the operating of equipment and so forth, so there may be some people there that--

GENERAL WILLIAMS: What's the name of the organization?

MR. ZINGESER: The Building and Fire Research Laboratory at NIST, and they are well-connected with the industry through CII and so forth, and that may be worth--

FROM THE AUDIENCE: It's in Gaithersburg.

MR. ZINGESER: Correct. I can help you with that.

GENERAL WILLIAMS: Okay; we will take both of those as examples. Number eight, which specialty consultants are worth--I guess I don't like the words.

[Laughter.]

GENERAL WILLIAMS: Well, which specialty consultants should we consider hiring in house, and which are better to be outside consultants? And some examples are listed here. And I will let that wonderful scribe who wrote this explain what he's talking about.

[Laughter.]

FROM THE AUDIENCE: Dollars are limited

spaces are limited, and there is an increase in specialization. Bill will very often ask me when we send somebody off to post and help them sort out the kitchen problem; we don't have any kitchen consultants. We could have kitchen consultants; it's very specialized area. That requires new expertise. I've listed several there.

We have now an individual or two who has sort of that way a side interest, knowledge in these areas. I would not call them experts in these areas. They would know how to research it and give some preliminary advice, but when it comes down to really detailed design and engineering, we need to know how to solve it. And I'm trying to just get a sense from some of the other owners here in particular how they address these types of areas. Do they manage to have an individual who is a point of contact in house? Do they staff up in a particular area? And how do they see the value in the work in making that tradeoff?

GENERAL WILLIAMS: Yes, Ann?

MS. LEWIS: I think a simple method to

take a look at this--I don't have the answer, but I think you might want to apply Pareto's law to this, where find out where 80 percent of your costs lie in those 20 percent of your disciplines and make the decision based on that.

GENERAL WILLIAMS: Yes, Ida?

MS. BROOKER: I think it really is contingent upon the demand for the expertise in your organization. If you've got twice the demand that one person can give that might start making it financially viable; the problem with expertise that is that small a percentage of what you need is that one person generally doesn't have all the answers on the cutting edge for an industry.

So if we have specialty items, in our particular case, we go outside. We have a core of generalists that handle most of our requirements, and when a specialty comes up, the specialties we encounter are things like acoustics and audiovisual sound systems, landscaping and some of these. We go outside, because the outside firm bring in a specialty like that, and kitchens is a good example

that they are knowledgeable, they're out in the industry, they're sharing their expertise with other customers, and they bring all that cutting edge with them.

And so, if you're looking for solutions that require a whole depth of information under their belt, then, the best is to draw someone who does it for a living. And generally, in any given owner's case, you don't have that kind of a scenario that allows them to grow and develop in that arena, and working for one, having a specialty like that and only working for one customer is not going to keep you on the cutting edge of what's going on out there, and right now, any one of these areas are technologically being challenged to come to with innovative ideas on how to do it cheaper, faster, neater, quicker, from remote locations, et cetera. And so, I say that if you've got that kind of a need, then, limited outside use of the experts in the field is the best way.

GENERAL WILLIAMS: Well, you know, you have all of the comments, the couple that's been

made, you're helping us crystallize a path forward, because as you know, we're wrestling with Bill's area in particular and to some extent Elaine's with having a capability to attend to a problem, whether it's a historical preservation problem that happens two or three locations around the world at the same time, or whether it's some tertiary environmental issue or some issue related to the whole world of leads.

We have been challenged by our administration, OMB in particular, to look at outsourcing in a competitive way for functions that are not necessarily inherently governmental, and clearly, you could argue that these would not be. You've made that point. So I think this helps us on two fronts: one, the recognition that we can't cover the entire waterfront with a level of now, current, expertise, and those areas that we cannot cover, they should be prime candidates for us to solve two problems; that is, to get in line with the competitive sourcing idea and also to recognize the fact that we will never be able to harness

currency and the capability to do all of this we want.

I think that's what you're saying. I think both of you are saying this. So I think that's the answer to your question, Bill; five candidates to go into your spot.

[Laughter.]

GENERAL WILLIAMS: Okay; this panel is wonderful. You're solving all of our problems for us. Okay; let's see: let's try one more before lunch, and I want you to put your real estate hat on and help us with this. It's under real estate, but it really ties in with more of a management type of thing.

On number 12, what tools and technology do you--what's in your employees' kit bag when you send a person to travel so they can continue to do their work and stay in touch with headquarters? Obviously, we're dealing with a matter that we have not standardized. How many or what? Is a laptop the cure it all, or is it something else? The department now is playing around with PDAs,

Blackberries and the like, various parts of that. We're not exactly sure where we're going to go with that, but these are kind of notional things out there. So what are the tools?

MR. ZINGESER: The best part of this meeting is you take away my cell phone.

[Laughter.]

GENERAL WILLIAMS: Okay. Well, that's a very good--that will reduce the cost right away, and it will minimize everyone requesting a laptop.

MR. ZINGESER: The reality, I mean, I can't speak for anybody except myself, but the reality is you do have to stay connected, obviously. But we've gotten crazy about this.

GENERAL WILLIAMS: Yes.

MR. ZINGESER: And to the point where people are losing their civility. I mean, you can't have a lunch conversation with somebody; they're doing it. And fortunately, even in this room, where I'm sure our guests would probably at moment rather be finding out what emails they have, they can't do that, so they have to pay attention

for better or worse.

GENERAL WILLIAMS: That's discipline.

MR. ZINGESER: So I think, you know, the truth is that somehow, there has to be a balance. I don't think the problem is what devices. It's how do you use them? And how do you do things properly? That's my social--

GENERAL WILLIAMS: Well, you're right on target. You know what we're groping with. Naturally, I get flooded with all of this, and if you have to make a decision, then, you've been a bad guy, but you can't satisfy everyone, but you know that this is an issue now: what should I have and not have?

And so, I just need your thoughts about it.

MS. LEWIS: Our fellows travel 40 weeks a year, and they have a variety of things they carry. They've got laptops; they have cell phones; several of them carry Blackberries. They've got email systems and modems so that they can actually get back into the servers in our own company when

they're doing work remotely. They carry miniature printers and scanners.

And so, they lug this stuff around with them through airports week after week. And saying what you're saying, last week, I was in a meeting where half the men in the room at the break had the cell phone at the ear and the Blackberry in the hand, and it was like how much multitasking can you do at a time? And it does get ridiculous.

But if people are away from the office week after week, they do need these things. They can't function without a lot of these capabilities. If they don't have--many times, we're in a military installation without access to printers and copiers and those sorts of things, and so, they've got to carry these little portable things along with them.

GENERAL WILLIAMS: Other comments, and I'll come to you right after--

MR. PAPADOPOULOS: Yes, it's very interesting that we've found that lugging computers around and cell phones, particularly in overseas assignments is not really essential. We found out

that the places that we stay, even in the most remote areas, Lesotho, Swaziland, places like that, you do have Internet access. If you want to stay in touch, you stay in touch. And if you need to have a cell phone, you can always rent one at the airport.

And again, it depends on the security of your mission, of course, as to what you're going to carry. I think the leaner you travel, the better off you are, and we have found that out. Also, we have found out that employees can go overseas, and they have a cell phone, they seem to think of it as an umbilical cord. They're not in the position to make a decision when they're supposed to. They always like to have the consensus behind them.

And so, we have decided if you want to carry it, carry it on your own risk. It's yours, and use it as you see fit. And I think people are getting accustomed to traveling light, and we have found out again all over the world, there is access through the business centers in hotels or at the airports or wherever the communications are there

publicly available, and they can be used rather effectively.

GENERAL WILLIAMS: That's excellent. That's two different views from industry.

Ida?

MS. BROOKER: You have to evaluate the need before you--there is not one answer for an entire organization. The considerations are security when you're going overseas, what you have contained in your laptop, you may not want to take outside the country. There are programs in there, there is information in there; it becomes a very high security issue. The size of the files that you have to deal with becomes another issue. If you have to handle large files, then, you need different equipment than if you just had a communication issue.

Can you tie back to another office that contains the information? We've sent people to very remote areas, and we have had them take with them a satellite phone just for communications purposes, because we wanted to make sure that they

were checking in every day just to make sure they were still breathing. I mean, there were riots, there were all kinds of things. We just wanted to make sure we maintained contact.

But again, you have to evaluate what the need is before you can understand what's going to be required. If they're Stateside, and we are going to more and more and more virtual office arrangements where, you know, employees are sitting in any number of places; they're either at what we call a hotelling location or at their own home. They have certain requirements for ergonomics, because we have long-term employees; we make sure that they are in an area and a location that's appropriate for their working environment, but we look at what they need: do they need scanners? Do they need printers? Do they need computers? Do they need high-speed hookup? It depends on the scenario.

But what we insist on are two phones and a computer and high speed connection is the issue here. And the two phones if they have to have one

that's connecting computer system. If they've got cable, that's all that they need, but you've got to be able to do both voice and Internet.

And we would say 95 percent of my meetings are through electronic commerce without my being there. It's all WebX and telephone communication. And I think that that's becoming more and more of the case. We try to do in person when we can on a periodic basis, maybe once a year, but the rest of the time, it's all electronic. But the fact is you've got to evaluate what is needed by the person. If you're working with large drawings and trying to look at it with a Blackberry, that doesn't work. If you need a large screen PC, then, that's what you have to give the person to do it with. But again, it has to be in accordance with what the person needs.

GENERAL WILLIAMS: Yes, Robin?

MS. OLSEN: I was going to say beyond common sense, you know, I mean, you have to figure out what you really need. And you have a unique circumstance. Not only are you international; you

have the super security needs; I mean, laptops disappear; the contents disappear. You're going to have to really think exactly what you do need.

I mean, the thing that's in your favor is all the technology is improving and can handle all the files. I mean, you might have a camera phone. You might need to take a picture to send something back. I mean, you have to decide what functions you need, and then, you have to decide what the--sometimes, what the minimum is you don't want people playing games all the time. You're going to have to weigh what your needs are for all the technology.

GENERAL WILLIAMS: Yes, Todd?

MR. RITTENHOUSE: We have a lot of people traveling, and our concern is allowing them to work but also making sure the client isn't stifled by someone being out, so kind of the opposite problem: yes, we have the laptops and cell phones, and what's been great for me is the VPN, you know, virtual networks so you can tie in. I'm not sure whether you're allowed to do that within your

system or not. I assume not.

But what we've also tried to do is have a double in the office, someone who is just aware of going on, because if I'm onsite for one of your jobs, and one of your other jobs has a problem, it can't wait until I get back, and one client doesn't accept the fact that you're on vacation or that you're actually on another job site or something, because that makes them secondary in your mind. That makes them think that they're secondary in your mind.

So we try to have someone know what's going on on someone else's project, so if I'm traveling, I can pass it to someone else who is up to speed or can get access to that information. I think that's more important in our business to make sure that every client thinks they're special and is satisfied with their needs, because we get a call from a construction site; you know, construction problems top every other problem we have in the office, because construction problems lead to construction delays which lead to claims,

et cetera.

So having someone else on board, doesn't have to be an expert, doesn't have to know everything, but has the access to it within your office and can help to get a question answered: looking up a large file; you know, I'm not going to download that to my laptop, but if someone else has access, we can talk a little, and he can get that information out. And I think that's the important part on our private industry side.

GENERAL WILLIAMS: Good. Yes.

MS. BROOKER: And a 24-hour help line.

GENERAL WILLIAMS: Okay.

MS. BROOKER: I mean, not necessarily anybody who knows anything about what you're doing but how to operate all the equipment you've got, because when you're pushing the button, and it doesn't work, you are so frustrated, and that's the one thing that we do have is a 24-hour help line, and it is a godsend.

GENERAL WILLIAMS: Okay; this is very, very helpful and useful, and let me just go back

and sort of frame for you: these were wonderful ideas and thought provoking for us, but being the Government, we have a problem that you may not have as pronounced in industry. It's two-pronged: first of all, everything is governed by some type of policy. I appreciate the individual evaluation for Smyth, but it has to be the same for Mary and so on; otherwise, we get into issues of why you did this for me, quality, and all of that.

So we have to come up with something that's sort of--it's like an aspirin, you know. It has to sort of handle generally everyone. So that's why we're looking for sort of a blend of where S.G. is, and we have to be sensitive to what he said, because there is something to be said about leaner today, particularly where we go and all of that and the protection of the interests, and also, we have some constraints.

And so, it's like telecommuting or any of these other things that are out there: we just can't launch without thinking first that we are the Government, and there are certain requirements. So

we're just trying to think about it and go wholesome with all of this so that when we deal with these issues, when they come about, we can say that we've gotten the pulse of the industry, and I've seen it run from one to 10 today, so it doesn't make any of us right at the moment.

And I know whatever decision we come up with, the policy, it won't fit every person, but we hope that we can temper it with common sense, as Robin said, and reasonableness, and we can get there. You've been very helpful, and I appreciate the different views and open and honesty.

Okay; it's 12:00 now, and Gina, you've got to tell us what we're going to do.

[Whereupon, at 12:00 p.m., the meeting recessed, to reconvene at 1:30 p.m., this same day.]

A F T E R N O O N S E S S I O N

[1:34 p.m.]

GENERAL WILLIAMS: Okay; I'm delighted to see that you had a delightful lunch. I can tell by the interaction and your eagerness to come back in and participate--

[Laughter.]

GENERAL WILLIAMS: --that you had a wonderful lunch, and we're pleased by that. I do want to just say a little bit about the rest of today, because we want to be a little bit disciplined.

We have a little administrative business to do at the end of the day. It will take 20 or 30 minutes with that, and we do want everyone to remain and be a part of that. At the same time, we want to be able to get through most of the work that we plan to do, and also, I'm going to ask the panel, this is the first time that I've asked the panel to get on the phone with each other and kind of work a little problem for me, a little challenge for me offline and be prepared to report to us next

time.

And basically, what I would like for you to do is to--and you can decide who among the group will kind of keep everyone together. We have not made a decision; we have not discussed it in any kind of a way, so I don't want anything to be drawn from that, but I do want to look at the whole issue of incentives and just think from the context of the Government and the fact that I operate with a constraint, and that's the cap, but I don't want to just pooh-pooh the idea and not have it be looked at.

And I would prefer having my industry friends take a look at that, and you just come back and kind of report out to us next time on some thoughts around that. I'm not necessarily interested in using, you know, exactly what GSA or anybody else is doing, but just give me some fresh ideas about how some type of incentive vehicle could be constructed, realizing the constraints that we operate in.

This is to demonstrate to you that we are

very flexible about this program, but realizing first that, you know, we are in the Government and have rules and things to follow. But nothing is off the table, and it was suggested several times, so I want to pass that to you, the panel, and I'll just come in next time and ask for who's the spokesman, and all nine of you will stand up and begin to report out.

But we do want you to spend a little time offline chatting about it so that we can have kind of a consensus around four or five things; okay? Is that all right?

Okay; let's move ahead now with the first one this afternoon, and it's the last one that was on my mind, and it's number two, because this is something that we have to think about now, quite frankly. Early on, a couple of years ago, we discussed some geotechnical issues with you and some concerns we had about whether or not this was one of these fertile areas where change orders or claims could be generated, and you provided some good ideas at that time.

So I wanted to advance this a little bit further * better and to get where we need to get, you have to be as a manager thinking about this. So we don't know everything. So I would like to tap your experience about circumstances, circumstance, event or events, or situations that could lead to claims or change orders.

Yes.

MS. OLSEN: Well, of course, you have poor designs, schedule problems, all those obvious things. We had talked about differing site conditions before. We had talked about problems in getting materials, you know, but the one thing that you've done that you didn't have before, you've got a history now; now, you're doing what you said you were going to do. You're taking all your changes that you've made on all the different projects, and instead of having to recreate the wheel each time, you've categorized, you've put everything together so that you've improved your project outlook and your plans and your specs and your contract, and you've made it much more concise, to the point, and

when you hand it out, everybody can see, okay, we have to take all these things into consideration.

You don't have the problems that the previous group before you had when everything was different. So you're already quite a bit ahead that way. So the variables are what you're going to have to still continue to look at.

GENERAL WILLIAMS: Okay; thanks, Robin.

Other comments?

Yes.

FROM THE AUDIENCE: I was going to say you've got two things in the context of design-build that will generate claims against you. One would be changes in your program. You think you have it fixed, but invariably, something comes up that you didn't anticipate; circumstances that are external or internal change.

The second, which would exacerbate the first would be if you haven't given the design builder a fair price. Because then, the contractor, design builder, will invariably be looking for ways that they can improve their

profitability.

GENERAL WILLIAMS: Okay; that's two excellent points.

Yes, Todd?

MR. RITTENHOUSE: I think one of the problems is the--it goes back to the communication we talked about earlier. And we've had it with a number of projects, not OBO projects that I think of; most of our previous problems were related to site conditions, unknown conditions, soil conditions, et cetera, but a lot of times, we're seeing the owner try to represent a thought to the contractor which he immediately puts into place and then looks for an extra later when it wasn't really meant to be an order but a dialogue on perhaps a way to improve it, and it is taken as an order to change the process.

And so, I think that communication, communication is always the problem with a lot of things, but inferring a change when it's not really a change and both parties need to understand what's expected in the contract.

And so, I think that going back to the point earlier on program and project confirmation and perhaps at other milestones having that again, so when someone says gee, it would really be nice to have, you know, some nice marble in the foyer, that wasn't a change order; that was a comment that I'd really like to have marble here. And I've seen projects where gee, he told me, and I go to the boss, he told me to put it in there, and the boss says okay, we put it in there, we get some more money. But it wasn't really an order.

So I think those lines of communication and a firm stance that suggestions, ideas provided in the field are not change orders, and you will not be paid for those unless you get written authorization prior to; so communication on those wish lists could lead to change orders.

GENERAL WILLIAMS: You know, Todd is touching on something that's very dear to me, and that's this whole idea of coming back to that magic word again: even in your conversation and dialogue, you have to understand that this is

business, and being very loose and discussions and whatever and whether or not this represents a serious scope or a concern or whatever, it should be handled appropriately, and there is a channel, and there's a way to do something if a client or anyone is concerned about something that impacts scope but not to have a loose discussion about it or have lunch, and I just happened to be sitting with the contractor or something, and we start having a discussion.

You need to paper these things. They have to be documented, and they have to be sanctioned and worked through. So I see all of what Todd is saying is to be wrapped up in discipline and the process is what we've been talking so much about.

MR. RITTENHOUSE: Let me just follow on. And the opposite is true as well, because we've had many cases where a client says to us do this, and, you know, you have to get started doing this task or whatever; it will be a change order, just trust me.

Well, you know, and we all know what

happens. And sometimes, it does come through, and the guy does come through. But if he's going to hold your feet to the fire when he doesn't want it, he's got to be understanding when you say okay, you told me that I would not get paid unless I have a piece of paper. Therefore, for this favor as well, I can't do it. And the owner has to understand that, you know, if he's going to loose with all of his instructions, he's got to pay for it; or if he's going to be firm with his instructions, he's got to allow the contractor to be firm back to him. And I see that problem a lot, too.

GENERAL WILLIAMS: Fairness, yes. Goes both ways.

Okay; are there--yes?

MR. PAPADOPOULOS: One of the fertile circumstances that we have experienced over the years is the conflict that takes place sometimes between specifications and drawings. And that's a real--we all know about it; we've seen the same movie over and over again, and it happens. The specifications call for one thing; the drawings

call for another thing, or perhaps the specifications call for two or three options and the drawings only one.

And that becomes more of a fertile ground particularly when you have the production of the construction documents, the design of the drawings being done by one group, and the specification is being done by another group, being both of them of a prescriptive nature, it creates a fertile environment for this kind of a conflict or potential claim in the future. So incomplete or conflict in CDs is one of the circumstances that we see.

GENERAL WILLIAMS: Let's hold that point, because it's so many pieces of this, and I do want to spend enough time on it.

Let's just take this one point apart and drill down in that. Specs out of line with drawings. How do we fix that?

Yes?

FROM THE AUDIENCE: You allow your design team--

GENERAL WILLIAMS: You may not get invited again.

FROM THE AUDIENCE: We can give you a politically acceptable--

GENERAL WILLIAMS: No, everybody has to understand. I keep you very light, okay, on your feet?

FROM THE AUDIENCE: It sort of reminds me, you mentioned about committee before.

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: And somebody once told me that a camel was a horse designed by a committee. You're supposed to laugh.

[Laughter.]

FROM THE AUDIENCE: In any event, if you spend more money and give more time to your design team up front, you will save macroscopically millions, tens of millions and maybe hundreds of millions of dollars in the long-term. First off, pick your designers appropriately and allow them to do what they're capable of doing in a professional and disciplined manner, and you'll have less of

those problems.

Pick your contractors better and pay them fairly, a point you raised before, and they'll be less incentivized to try to look at your plans and specs and your contract as profit centers, which is what happens today. And, you know, a lot of your major contractors, because I'm involved in these cases all the time, when they get your program, or when you get some sort of schematic plans and specs, when they put together the bidding for your project, they have a whole team that's putting together the claims that they're going to make for your project at the same time. It's well-known.

GENERAL WILLIAMS: Sure.

FROM THE AUDIENCE: The way you can get around that easily by first off having all kinds of contractual protections against that. And you can do that. But then, you have to spend time and money with your lawyers drafting proper contracts. But it comes down to doing the right thing, allowing appropriate time to design it right, pay a fair price for the project, and then, people will

be less inclined to engage in behavior that's counterproductive for all of us.

GENERAL WILLIAMS: Good point. Excellent.

Let me go here, here, and here.

MS. LEWIS: I think that every designer will say that he is or she is hindered by time, by budget, by habits and attitudes. This is the way we've done it before; it has worked; we'll do it again. I think that one of the best ways to ensure this coordination among specifications, drawings, the cost estimate, the schedule is a constructability review and not performed, you know, solely at a 99 percent stage; you know, just as you're about to embark on construction, but earlier on to make sure that from an early point in the design, you are setting a tone so that you are coordinated from the beginning, that you know what your mission is and that specifications and drawings will be coordinated.

And it works. There are some times when we've done three constructability reviews over the design life, setting the tone very early on in

concept design, but again, maybe it's 60 percent in a 98 percent stage just to make sure the coordination is there; that you've minimized potential change orders and claim situations and that you've identified and minimized or eliminated the risk.

GENERAL WILLIAMS: Thank you; yes, Joel?

MR. ZINGESER: I'm a little confused as usual. In design build, if I'm a design builder, and I put out a set of documents, whether they're drawings or specs, they're my documents. If there's conflict, and it's my problem, it's not your problems; there are no change orders involved. So I don't understand that conversation.

But I do understand it in traditional methods. What is a greater concern other than the obvious ones of unforeseen conditions, the general whatever that means, site conditions or whatever, is again this issue of communications between the owner and the design builder, making sure we're on the same page incrementally at the beginning and as we move along, over the shoulder reviews, informal

discussions, anything we can do to make sure we're on the same page. As I said earlier, I'm always more concerned about the designer and construction manager: who is looking at constructability? They're doing the right thing, not just doing the same thing.

The example I can give is in renovation work, big courthouse walls, all beautiful wood paneling, was once beautiful wood paneling. The owner says clean it. Okay; we put in a price to clean it. What does that mean? Well, the owner, in their mind, clean it means restore it. In my mind, it means wash it. We just had a big miscommunication, and there's a lot of money involved.

So communications is important, and to me, that's sort of what it's all about.

GENERAL WILLIAMS: Clarity in communication.

Let me come back--get him, and then, I'll come back.

MR. UNGER: Again, similar to Joel, I'm

not familiar with--and I try to follow every year best practices and any lawsuit I can possibly find where there are issues, claims in the design builder. And I must say, with the exception of one in the last three or four years, most of the litigation is between the designer and the builder and not the Government agencies for that very reason: errors and omissions are risks being borne by those who can best handle it.

However, again, putting the value on it, I mean, you're not buying a design; you're not buying construction; you're not buying a system. You're buying that team, I think, and back to the question, the fertile change orders, I mean, there are going to be owner changes; there are going to be new technology that are going to be there. We've talked about the differing sides, geotechnical, I think those are all permits is another one; sometimes, if the permit is put on the design builder, there's a lot of uncertainty there that perhaps the Government should reexamine and try to secure permits on their own.

But again, I'm going to say in the true design sense instead of the old way of we're going to build to the design, when you've made your award, it hasn't been designed yet. We're going to be designing to construction. And I would submit that the cut sheets and those submittals that those subcontractors traditionally were doing with not a lot of input, that can well be, whether there's an ambiguity on the drawing, I think as Joel's saying, who cares? That shouldn't be something that you folks should be straddled with a change order for.

If there are more, as I feel sometimes I'm unbalanced out there; dozens of, including you all's projects, that have been prime examples of making that quantum leap mental shift away from an adversarial old bid environment, and I would like to know some that didn't turn out so rosy, because like I said, we can learn more from those.

GENERAL WILLIAMS: Okay I'm going to take this one, and we'll--

FROM THE AUDIENCE: Where the problem arises in a pure design build, and I've never seen

a pure design build before, is what happens is the Government sets out a certain criterion, and they have to have design professionals and end users come together to determine what that criteria is going to be.

And that criteria is not a completely designed project. Once they put that criteria out, and the design builder signs his contract, the design-builder may be building something called A, and what the owner had in mind might have been an A-plus. And it can be on the edges, or it can be fundamental, but you thought you were going to get a certain type of your project, but consistent with your RFP, you're getting something that's somewhat different.

But it's consistent with the RFP. There was imprecision. You didn't put enough time in your design, your predesign, because there's a criterion that you have to build to. There's no such thing as here, build me this embassy; I'm not giving you any criteria. You have to give them some criteria. Once you start with some criteria,

you can have some precision.

GENERAL WILLIAMS: Okay; let me--thank you. Let me just help all of us with a little bit of traction. We tried to eliminate your point, because I've spent enough time before the--in legal sessions in my time that you've got to figure out a way so that you don't end up with lawsuits. So what we tried early on--this group is very aware of this--first year, very bold arrangement was to come up with a generic design, because we had a very interesting situation: we were not in the rocket science business where we had to build something different every time. We were not designing ships and naming them different names. We were designing a very simple special office building from two to five stories.

And we wanted them to be situated so they could be site-adapted anywhere around the world: looking different, but the interior in terms of the basic and fundamental things would be generally the same. So we don't have the question where a design build team gets a job and don't know what they're

doing. If they don't know what they're doing, then, we've got a real serious problem, because we shouldn't have them building in the first place.

So this generic design eliminates that part. So I'm at a little bit of a loss in trying to deal with the spec drawing disconnect, because unless we have a real unmanaged situation, because you have the generic designs, and it appears to me the problem then would be among the players that the lead--that the design build team would bring forth, unless I'm missing something.

FROM THE AUDIENCE: You get site conditions; you get the appropriate materials--what you put in India might not be what you put in Iceland, all right? That's two things. And then, you get scope changes. But those have to be the three areas.

GENERAL WILLIAMS: Where would scope changes come from? I drive those.

FROM THE AUDIENCE: Well, scope changes would come from your having somebody on site; you have an ambassador--

GENERAL WILLIAMS: No, no, no, no, no, no, that was the old way. That was pre-Williams.

FROM THE AUDIENCE: Okay.

GENERAL WILLIAMS: Okay; okay?

[Laughter.]

GENERAL WILLIAMS: That was a problem before. That was a problem before. But right now--

FROM THE AUDIENCE: If you can't have scope changes--

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: Then, you may have site issues. You may have a site that needs to be on piles, or you may have to have a different kind of a foundation. Have you in your general spec taken into account any kind of different site conditions?

GENERAL WILLIAMS: But if my engineers don't know that, then, Bill Minor has erred.

FROM THE AUDIENCE: Right, but you're asking for areas where you could have potential problems, and those are areas. And then, the third

area that we talked about was the adaptability of that design to different locations, which is, in part, the foundation issue; in part, it can be a material issue. You can use a type of building material that may not be good for a humid climate. It might not be good for an arid climate. It might not be good for a cold climate.

GENERAL WILLIAMS: Okay; well, here's the situation here: there's not any part of the world that we haven't built. We don't have a learning curve. Take any part of Africa, East or West or the bottom; any part of Eastern Europe. So we've got intelligence on each one. See, we knew that before we went to the standard design.

FROM THE AUDIENCE: Have you incorporated that intelligence into your program appropriately? Have you had it vetted and checked professionally in a disciplined manner so that you have incorporated all of these variables? If you have, then, we have nothing to talk about, because you're not going to have any changes. But if you're still experiencing changes, then, there's something that

has been missed.

GENERAL WILLIAMS: No, I said the question is what is the most fertile circumstance or event that would lead to a claim or change order, looking for areas over and above. And I'm trying to make certain that we take enough away from here on the specs and drawings which we thought we had worked and prevented.

Now, Bill, how do you speak to our legal friend's question?

FROM THE AUDIENCE: We have nothing to talk about.

[Laughter.]

FROM THE AUDIENCE: Because with the combination of design-build--

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: --and the standard design, three years of actual execution and construction, three years of lessons learned back from contractors and 75 years of working in the world, I think we have a pretty good handle on them. There are some things around the edges that

are refinements and result in some claims, and I think when we do have claims, they're probably not as bad as they used to be.

But the discussion is interesting, because you can see how easy it is to get design bid build and design build mixed up.

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: And I think professionally, we've worked so long--

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: --in the design bid build world that even this experienced body sometimes swings back and forth. So when designers and builders are working on a project, and certainly, our staff are reviewing these projects, they have that same problem of failing to understand that the paradigm has really shifted in a fundamental way and that you know, you don't have to customize your palliative materials in every climate, and you can site-adapt without reinventing and customizing the entire design, and we've learned that you can do that.

I think every project you showed this morning with the exception of the Frankfurt hospital was based on the standard embassy design, I think.

GENERAL WILLIAMS: That is correct.

FROM THE AUDIENCE: Every single one.

GENERAL WILLIAMS: Every single one.

FROM THE AUDIENCE: But there was a wide range of stones, stucco, massing. There were sloping sites. There were tropical sites--

GENERAL WILLIAMS: Labor rates.

FROM THE AUDIENCE: And yes, there were some claims on some of those.

GENERAL WILLIAMS: Yes.

FROM THE AUDIENCE: But they were based upon--

GENERAL WILLIAMS: Submitted claims.

FROM THE AUDIENCE: Yes, not based upon the old traditional problems; design-building produces new problems.

GENERAL WILLIAMS: A few people heard the last one.

[Laughter.]

FROM THE AUDIENCE: Repeat it for me, please. REAs. But, yes, design-build, I think, introduces new concerns, new problems, but they aren't sort--

GENERAL WILLIAMS: Right.

FROM THE AUDIENCE: --of based in the old model. But I'm comfortable. I think that we've got a pretty good handle on a lot of those.

GENERAL WILLIAMS: Because and before Joe speaks, as you know, we labored when we introduced this whole idea of standard designs together with design-build. And the whole idea was to see that we could--we would never get perfect but at least minimize the opportunity for situations turning into claim situations.

Joe, you want to speak to this one?

MR. TOUSSAINT: Well, I'm a practical guy, and I just wanted to try to get it back onto some kind of common sense things. And I think Craig hit on one that we had struggled with on times, the permit issue, and Todd was hitting on something

about the communication issues and the authorities and those kinds of things.

The conflict in drawings and specs is a matter of whether the RFP documents are clear or not, and I put that in the whole package that Bill works on, and we go through a lessons learned. We do that with the construction community, DB community as well as internally. But I would seek to get some of those kinds of common sense things that we may be not aware of in our fast program, things like communication, we don't have clear lines of authority, or what do you find with, you know, in your work where lo and behold, you find that some action results in an REA that costs you money? And just put that out, sir.

GENERAL WILLIAMS: Any comments on Joe's--yes?

MR. WOLFF: We've discussed this before, but early flagging is the big problem. You see an issue coming up, and I think Todd alluded to this; you see an issue coming up, and you don't have a system--you meaning everybody--doesn't have a

system that can flag it without slowing down the job. So there's a tendency to put it aside and say we'll deal with it later, and then, it grows and grows.

So if someone--and you're an imaginative guy--if someone can work out a system where you flag it down, and you somehow get it offstream like a Japanese production line, and you address it, but you don't hold up the job, then, you'll solve a big issue with it, and it won't blow up out of control. The other thing I think may be a problem, but maybe I'm wrong, is Chuck's always talking about risk assumption, and the assumption of deliverables and clearances, custom clearances and everything. It seems to me that's always a gray area where troubles can come. But those are the only two. But I know our problems are always not only with OBO but anyone; our troubles internally with Berger between our divisions is to get them to flag down and not sweep them under the rug and find out later that you haven't addressed it.

The other issue that we got into earlier

that I thought was humorous was there was a lot of talk in the old days when the General and I were younger was there was a lot of talk about partnering. Now, one of the problems in partnering was just the kind of discussions you had about let's put some marble here. And so, partnering seems to have lost a lot of its flavor because of the responsibility, well, where did this idea ever come up? But I think it's flagging down. If someone can find a system, and it's not easy, where you flag these issues down and don't slow the job down, you've really make a breakthrough.

GENERAL WILLIAMS: Excellent.

Yes.

MR. ZINGESER: One other point which is a sidebar to this issue, and that is change management. Changes do occur, legitimate changes because of scope change or something has happened. One of the things that we have done, and I'm sure others do routinely as well, is depending on what the change is, we will put a separate team together to work the change part of the project so that the

base project can continue to move; schedule is not impacted, and there's a very clear accounting in every way, not just dollars but accounting for getting that change done.

Now, that isn't necessarily something you can do when the change item is embedded totally in the process, but if it can be dealt with as a separate item, sometimes, that's a way of facilitating and keeping the costs down, because you can also incentivize the contractor on the change item in a way that may give you a little bit more margin to work with.

GENERAL WILLIAMS: Thank you.

Ida.

MS. BROOKER: I have several thoughts here. First of all, there's nothing new in this in that there are three kinds of facts on any project, and there are known-knowns, there are the known unknowns, which are the things that you're anticipating, but you don't know the extent, and there are the unknown unknowns, and those are the things that are got yous.

And going to the idea of change management, it's the idea of those things and the idea of getting the facts on the table ASAP is to mitigate any of the impact those things have. There is no perfect project, and there never will be a perfect project. The fact is you have to have the systems in place to manage the changes when they occur. I believe that a claim is an unrecognized change. So the only thing, the reason you have a claim is that you don't recognize it as a legitimate change in the project. And hopefully, the contractors they're working with don't have many of those; that you come together in a meeting, and you say yes, this is an impact to the project, and you're deserving a change or otherwise, you don't hear about it, but, you know, you do have claims, and those are totally different, in a different--if you don't recognize them, that becomes a whole other problem.

But the fact is that going back to the internal problem, if I have a saying that I've got on my office wall: I know you understand what I

thought you said, but what you heard isn't what I meant.

[Laughter.]

MS. BROOKER: And that is the biggest single problem on any project, and my favorite all-time example of that is what color should we paint those outside doors? And the project manager says oh, I like forest green, because the building is tan, and, you know, the green and tan theme is a really good--so great, and then, along comes the change order for $1,500. He says what's this for? They say, well, for the nonstandard color you want to paint the doors.

Well, you know, I didn't want a nonstandard color. You didn't say that; you said you wanted forest green, you know, and it's those kinds of things that happen that, you know, you aren't clear in your communications.

So going back to that communication, you know, the biggest error of communication is the assumption that it's occurred.

[Laughter.]

MS. BROOKER: And that, you know, is the real problem with these kinds of conversations. And partnering is exactly the biggest culprit of that whole--we're friends, we're buddies, we're in the meeting, we're getting things done--oh, absolutely, and then, in come all the change orders that that conversation produced.

And so, you're going to have underground occurrences that you didn't expect, especially when you go into foreign countries when you don't have the history behind that site. You're going to have those. Those are known. It's the unknowns, the third hundred year rain you have in the same month, you know--tsunami is a little different; but the fact is that get on it, get the communication going right away.

We have a situation where what we're trying to get our contractors to understand is that they cannot spend our money. Don't expect to get paid by spending our money without our authorization. And they said why? You got value for your dollar. All we want you to do is pay for

us. And we said that would have been fine, except that we didn't have the money to spend; therefore, we're not going to pay you. And so, we're having a real argument now because we were going to have--we had the opportunity of reducing the scope of the project to fit the budget, and we set the date of having to know what we were going to get for that budget dollar, and we said okay, that's what we want; that's what you told us.

Now that the project is over, they want another $1.5 million. So we're having these discussions, don't spend my money without telling me. And, you know, if, you know, we got a flood, and there's extra work that you're requiring your contractor to take steps, and you feel that's an extra to the contract, and you say okay, we're going to do this, or--but the contractor, the design builder cannot assume that they have the authority to spend the money that doesn't belong to them. That's got to be a decision.

So getting these things on the table, having that communication is the best thing you can

do. But if you think you're going to eliminate changes and claims in the construction--and no matter how standard your design is, every project is unique. My organization gets tired of hearing me say that about projects, but the fact is there are no two projects that are alike. And so, the fact is there are unknown unknowns associated with every project, but you have to plan for them. And if you have a process that tells a contractor how to deal with them is the best answer.

GENERAL WILLIAMS: Okay boy, I tell you. Okay, go ahead.

MR. WOLFF: Just as an aside, I hadn't argued with Ida all day, and Todd was complaining.

[Laughter.]

MR. WOLFF: But one of the things we've been doing is looking into some of these long existing claims, and you're embarrassed as a senior manager to find out that it was $25,000 or something, and the thing has grown; nobody has addressed it; it's four years from now; people don't remember it.

So we're working in a sense counter to what you're saying. We're saying why don't you just dig a ditch in front of this building, and we'll settle it later? But then, the problem is you think you're on the side of God; you come in, and then, the guy, you say, didn't authorize it. So it's a real problem. We're working internally to just do these things instead of, you know, building 500 of them while you're arguing with the client that there's a defect in the roof.

GENERAL WILLIAMS: Right.

MR. WOLFF: And so, it's not so easy from a designer point of view.

GENERAL WILLIAMS: That's excellent. Yes.

MR. UNGER: Ida's door reminded me that recently, I won't tell you who, but I'll give you a hint, and you'll figure it out. Three major agencies are working and looking at the old Steven Covey, one of the quotes of Seven Habits of Highly Successful People: begin with the end in mind. They said you know what? We're evaluating, we're

asking for all the submittals from the RFPs; first of all, we shortlisted three of the best firms in the whole nation, world, and we're looking at structural down to detail, knowing what in the world are we putting a lot of weight in that evaluation factor? They're all going to be stamped by a licensed engineer, and we're selecting the best firm.

We're getting burnt on finishes, the quality of finishes. We didn't even put a lot of effort. In fact, here's the hint: they had just finished a major, major project, and the General comes back, and the one thing he noticed was that when he was taking a shower is the shower head hit him right about at the neck, I guess; I don't know how tall he was.

GENERAL WILLIAMS: He's 6'5".

[Laughter.]

MR. UNGER: You probably know the location. But they were very proud; a wonderful project; ahead of schedule; on budget, and those finishes that they didn't put a lot of effort or

evaluation criteria into the quality truly did sort of make a difference in certainly the appearance or quality. Of course, systems and other things did, but I just thought it was interesting: they were going to put little or no value on structural, because you've already shortlisted three of the best. You've got the major firms. Why--use that as a--if you have too many criteria, you diminish the ones that are truly important to you. So your door provoked that.

GENERAL WILLIAMS: Excellent point. Excellent point.

Are there others?

[No response.]

GENERAL WILLIAMS: Well, this has been clearly a good, good discussion, and I think there are a couple of good lessons out of here which I think was good for us. We know we won't get perfect here, and this was not the premise behind this. We just want to try to get better. As we have said all along, we just want to learn and continue to be better.

We started out with, as many of you know with this, to try to do several things to keep us from getting into the ditch on this issue. One was to have good discipline around the program, which we think we won that battle. We do not allow, and we have been supported here throughout the system and clearly on the Hill with program changes; no one can go down the route of getting out in the field and deciding they want another something or something larger or whatever. We have that even discipline around furniture type and et cetera.

So we got that one under control. So any scope change is not going to be accepted by our system. It's absolutely firewalled from the field. So any scope change will be driven by us. That will be clearly something that comes out of Bill's world or something that we're trying to tack onto because of the platform that we are supporting, and even with those other tenants who may reside and operate in our building, we have gotten to the point where we have disciplined their appetite as well, and we kind of a use a very simple process:

the train left the station six months ago, so you catch the next one. We're running a train every couple of years, so you'll just be out of the loop for a little period.

So we think we've got the program. Maybe not perfect, but I tell you, it's in the top nineties. Design-build delivery system we think will help us in this program, because it takes us away from the design, that's one finger, the builder, that's another finger, and the partner--there's partnering operations that I grew up in the partnering world, and I know how that worked and didn't work, so it took that one out and made it a design build, so that helps with the finger pointing.

And that gets after, quite frankly, the core of S.G.'s comment about having this misunderstanding between specs and drawing to a large degree. If we have a problem now with specifications, and then, we have done a poor job with clarity around the RFP, because we should not allow anything to go out and have all of this

optional kind of business, because we're going to get the worst case arrangement for us with that. The standard design, not perfect, but it's better than no design. At least it takes away the overarching argument that I didn't have a clue as to what you were talking about. At least that helps.

But you put a couple of other things on the table which I think are quite useful, and that is we've never considered this, the whole notion of the fair price matter, we tried, and we're in the process of doing a lot around cost estimation. We've tried to learn some smart things from industry and also from the academe world and the research--what world are you in?

FROM THE AUDIENCE: Construction Industry Institute.

GENERAL WILLIAMS: So John has done a lot of work there. We've extrapolated a lot of good ideas from them to make certain that we have gotten this better. It's not perfect, but we're trying to do estimating much better to make sure that we deal

with the fair price matter. We know that that is an issue.

I think the one that is--we don't have the best handle on at the moment is this whole issue of I call it the allocation of risk: who's got permits, and to be absolutely clear, approval to do work and a construction permit and all of that is a little bit different, we all know. But who has that Holtz Nation Rites of Passage as I call it, tidying up little zoning issues, tidying up little zoning issues that impact things.

And of course, in dealing with things that create delays, like getting your stuff through the Customs, dealing with other impediments that may be driven by host countries, little small insurrections and things of that nature--

[Laughter.]

GENERAL WILLIAMS: --sometimes create some problems for us. That piece is not fixed for us, and we're still trying to sort through that.

We know from an element of fairness that unless we are very, very clear with our private

sector partners from the beginning that it's very difficult to walk away from a delay that is caused by some unplanned event. So that's kind of where we are with all of that, but you have been very helpful, I think; early flagging, I think, is important, and I think what we have to--Bill in particular will have to spend some more thinking is to making certain that the RFP construct is clear as it can be, and we don't end up with this optional arrangement like S.G. spoke about where the drawing said X, and you've given me three or four other ways to do things.

FROM THE AUDIENCE: Sitting behind you is Mr. Dave Connor, who's from the International Code Council--

GENERAL WILLIAMS: Okay.

FROM THE AUDIENCE: --which authors the International Building Code, and as you know, that's another piece that we've adopted in order to provide a minimum standard so that our buildings are designed to the same level as they would be if they were in the United States. I just wanted to

point out that they had been a big part of our problem and helped us define minimum standards.

GENERAL WILLIAMS: Right, and I didn't think we had even shared that with this group. When did we end up doing that?

FROM THE AUDIENCE: It was about a year ago, about a year, year and a half ago.

GENERAL WILLIAMS: Very good. All of that kind of helps us, you know, along with this process.

Yes.

MS. OLSEN: I think you should change your delivery method to--you should call it standard design-build or designed build, and then, people will know.

GENERAL WILLIAMS: I understand. Okay let's--yes.

MR. PAPADOPOULOS: I want to revisit a little bit what--

GENERAL WILLIAMS: Okay.

MR. PAPADOPOULOS: --about the codes and standards, and this is a very dear subject to all

of us. We are right now, I believe, our profession, our industry is facing--it's at a crossroads with certain issues regarding building codes. While we have managed, all of us, to come to an agreement of this umbrella of international building codes that combines the three model codes in the United States: the BOCA, the Southern Building Code and the Uniform Building Code under one umbrella, we also have at the same time a set of standards in the industry, things like the National Fire Codes that are in conflict as this right now more out of territorial turf as opposed to substance. But that creates necessarily certain conflicts.

How do your standards in OBO address such issues? Case in point, for example, the international fuel gas code; that's something that has to do with gas, something that blows up sometimes, and the international code does not thoroughly address that; however, the National Fire Code, NFPA 54, for example, addresses that issue. And these two are in conflict.

You can see here a potential of a change order or a claim, depending on who you want to follow when you construct a particular facility that will utilize fuel gas. And that's why I was meaning that sometimes, there's a conflict between the drawings and the specs. One person might design something in accordance with the code, as we know it, or somebody wants to write the spec portion of it in accordance with the National Fire Standard. And we--

GENERAL WILLIAMS: What does the RFP say, Bill?

FROM THE AUDIENCE: When we adopt something like the National Building Code, it's a base upon which we then build. We supplement that with our own guidelines that may deviate from that base for reason, for cause; for example, we have a lot of security requirements that are in direct conflict with fire egress issues, as you can imagine.

So we have to navigate and modify that standard requirement to meet this unique need.

What we found is that it is more cost-effective for us to elevate the base and reduce the special conditions, because there are not that many. And in some conditions, we do use NFPA; we have a reference for that, and we say this supersedes what you have in the IBC. The supplement is fairly small. Dan's very familiar with it. And that's exactly what various states in the union do as well, because they have special extraordinary size measures for wildfire or landslide issues or storm issues that require them to either bolster the base or introduce another standard that's a little more stringent.

So that's how we handle it. But you have to start somewhere, and we do the same thing with the master specification system. It's a wonderful base. There's no reason for us to write a spec for residential construction. The one that's used in this country is very, very good. However, an ambassador's residence is not regular U.S. construction, so there are some things that have to be supplemented in that regard.

So we look for those differences and try to explain what the variations are.

GENERAL WILLIAMS: Okay; are there any further questions on that?

[No response.]

GENERAL WILLIAMS: Well, this has been delightful. I really appreciate your reaching down deep and allowing us to drill down a little bit further on that, and again, all of this is just to get us to think long and harder and try to get better.

Okay; let's look now at--this particular question has been dealt with a little bit in part, but it's under the resource management side; it's number 14. I guess I would like to invite us to take another look at the bullets that are underneath that overarching statement, looking for new ways to deliver projects according to specs as quickly and cost-effective as possible. I know we've talked a lot about that; and I guess trends and innovations that you've seen beyond what we've talked about that could help us as we move ahead.

I recognize we have talked about portions of this throughout. And if that's a little confusing for you, I will go on to--

MR. ZINGESER: General?

GENERAL WILLIAMS: Yes?

MR. ZINGESER: We have talked about a lot of this in one way or another, but just to underscore the last bullet point again, the world, as you know, is a very simple place when it comes to construction. Put an incentive on something, you'll be surprised or not surprised how quickly the incentives will be attained.

So the question really is what are the things you would want to encourage as you look at your programs? I mean, and this is really an issue of feedback. You know, you've got a lot of work underway, a lot of work completed, and there's lessons to be learned from that. As you gather your data, and you begin to look at your next stream of projects, this is, you know, back to your opening after lunch, what are--you're asking the panel to look at incentives. There are lots of

different forms incentives can take, but the key question at the end for you and your staff would be what do you want to have incentives tied to? What are the issues you want to improve upon? Is it schedule? Is it quality? Is it some functionality? Is it some alternative materials that you'd like to see incorporated?

And the other item that this in some way speaks to is some of your earlier comments today about looking to do more with sustainability and looking at other points, if you will, that would be part of your evaluation and your ultimate performance of the buildings. So I think those things sort of tie into that.

GENERAL WILLIAMS: Well, I think to help you drive that a little bit further, what is overarching to us is scheduling and functionality. We have people who are in harm's way. We have promised to allow them to be out in a certain time. Baghdad would be an example. In all of the places that we are building, we have people who go to bed every night without having the proper setback and

the security.

So schedule is important. It's no point in constructing anything new that does not work, so functionality is very important to us. And we have tried to deal with this standard design in such a way that functionality would be kind of simple to achieve rather than making it extremely complicated. So that, given with the fact that we have a cap on the amount of funds would be the umbrella you would have to operate in in order to generate incentives. But the most important thing to us is to take the funds that our stakeholders have provided and deliver on schedule.

MR. ZINGESER: One of the things again, going back to the early days when we talked about one of the issues at that time were windows and availability of windows--

GENERAL WILLIAMS: Right.

MR. ZINGESER: --and alternate designs of windows and so forth.

That led, I think, at that time, into some discussion about Government-furnished equipment and

ways of doing more of that or mass buying and so forth, so I guess I will ask the question at this point, you know, has that been accelerated? And along with that would be materials and material testing. I'm not familiar with how you're doing that in place or products being tested and shipped from here. Those would be areas that I would look at.

GENERAL WILLIAMS: Well, we got good news on both fronts, and I'll let Bill tell you where we are with the--

FROM THE AUDIENCE: We call it Government-purchased equipment, not Government-furnished equipment, because that could lead to claims. We purchase it; we have it manufactured and stored at the plant for the design builders to pick up and ship, very big risk area; move over land and store on site and install. We've done it on one project so far, on Port Au Prince; it was a fairly large buy, and it forced us to really get serious about limiting the number of window types, door types, zeroing in on the hardware sets, reducing that

number; that's very, very difficult if you can imagine, especially when you want to make it competitive for five or six different manufacturers. They all have different rough openings, for example.

So we kind of worked our way through that, and we have had the first purchase for use in Port Au Prince. We're now looking in the '05 program that we would have a $30 million buy of windows and doors. I don't want to mention the manufacturer that is the leading contender there, but it is a good bit of business for them. That will be ready to be picked up and transshipped by our design builders, taking that, hopefully taking that off of the critical path, which has always been one of the bit long lead items for us. I think it's going to be fine.

GENERAL WILLIAMS: And we see on this, Joel, everybody winning. You see, this is kind of the conversation we had at lunchtime where on the other side, and as you know, I just left there before I came here, I could see the private sector

winning here, because not having to worry about getting that delicate piece of material, you know, working the manufacturer issues, because you know you have to stand in line, and depending on when you join the club is where you are in the line.

FROM THE AUDIENCE: There is a price to be paid, and we have to talk about both sides of the equation. We make a substantial buy for a large body of windows and doors; we are locked into the construction, into that construction type. That's based upon a poured-in-place concrete frame. Some of the other innovations we were exploring, such as lightweight steel stud walls, you can't do that anymore, because these windows don't work in that system.

So when you commit to one system, you eliminate some of the others that may have some promise. But our experience was we had those other systems as options. For two years, the design builders wouldn't touch it. So we weren't getting benefit out of it anyway. So we're going to try it this way.

MR. ZINGESER: What about more traditional things? I mean, just curious: mechanical equipment, other materials, things, control systems, I don't know, other things that you could look at given that you're building, you know, at the moment--well, forget the ones that are out the door; you've got what? Eleven coming up; that's a, you know, that's a pretty good buy. You've got a lot of leverage. You'll get a lot of attention; you'll get a lot of competition. You might even get some good prices.

GENERAL WILLIAMS: Well, one of the things that Bill has is a little innovation group; it's not research and development, but it is a little small engineering design think tank that he has that is constantly looking at innovations. So we've gotten past the windows, and I think we are looking at--

FROM THE AUDIENCE: The doors are okay.

GENERAL WILLIAMS: The doors are okay, and I think last month, you talked about something else.

FROM THE AUDIENCE: That window is probably the one to buy, and that can work in this buy, yes.

GENERAL WILLIAMS: Yes. So we are not taking a giant step. We want to be very careful here and try to have some quick kills here that make some sense for us, and as we work through this first one and see how that works and see how it meshes well with our contractors, then, we will look a little bit further.

MR. TOUSSAINT: Let me give you another partial answer to your very good questions about what about the other equipment. One thing about the doors and windows is we know that we're expert in that, and we're the ones that have the expertise on approving or disapproving, and we're the ones who are closest to those standards and so forth. When we move into those other areas, there's a very good business case to be made. But it's not quite that apparent that those long lead items are quite as sensitive as the doors or windows.

It was clear when the General would come

back and say why am I going to every site, and I'm finding these long lead items, and your security doors, you know, our security doors and windows, Department of State security doors and windows are the problem, see? It was--they were special to us. They were not what the banks were using necessarily, whereas some of the other equipment is less special. But that's clearly the next area if we show we're as good at this as we think we are.

MR. ZINGESER: If I were in the business of building buildings around the world, and they all looked pretty much the same, and they all were pretty much the same function, and I was doing it for some private portfolio, I would not only be looking at long lead items for mass purchase; I would be looking at receptacles. I would be looking at--in the way, the home builder analogy, you know, the home builder is putting in refrigerators all up and down the street; they're not necessarily a long lead item, but he's going to use the same ones in the same places. I don't know if that's stepping on anybody's toes in the trade

world. That's the Government, and it's being a big purchaser, but that's an answer to this question.

GENERAL WILLIAMS: Well, as I said many times, and you all know this, nothing is off the table. We listen, and we want to be as innovative as we can, and we will clearly continue to look. And based on, you know, previous discussions, we have moved into the window and door area, which we think will benefit for us. We want to try it a little bit and make sure we've got everything in place and it's taken real well, and Port Au Prince is a good area to try it in. It's kind of close to home. It's not exactly a stable country. It has a lot of the elements that you would have otherwise, and it will be a good test to see how that works for us. And it's one of our largest compounds that we'll be putting in place, so it's a good way to test it.

Yes.

MR. UNGER: Having recently participated in a roundtable workshop from an industry perspective and hearing some things that Wal-Mart

and Target and DuPont, very similar, site adapts, could have leveraging power, don't necessarily go that way for various reasons, because some of the big builders also have leveraging power; in fact, I've heard it said that if you're building 11 of these, if I'm building one of them for you, if you were to give me 11, it would not be 11 times the one price I'm giving you; I'm not suggesting they all be bundled, but there may be geographic areas, two or more, where that might be applicable to go through one procurement and have more than one.

And I was going to mention when we were talking earlier about the scope change; it was interesting: I think Mary Ann was at the one conference on Wal-Mart. They must have meant per project, but the reaction from--I think it was the major CM firm said over 100 change orders per--

MS. LEWIS: That's what we were discussing at lunch. I can't remember if it was per month.

MR. UNGER: I think they said month. Surely they meant project, but to the standard Wal-Mart; you know, some of these were customer, you

know, and put a sky light, and they found out that the sales is 15 percent higher under the sky light of whatever they put there and all kinds of little things that aren't structural major changes and don't really matter to the design builder, but I'd say turning to the speed as the essence of the bullets under this question is looking at two primary industries that I heard represented at the separate meeting, Mary Ann, than this one was the pharmaceutical; takes so long to get a drug approved through FDA. Once it's up, to get that to market is incredibly important and looking at doing a mapping of kind of the lean construction of the entire process, it was found--in fact, our friend Harvey Bernstein who was with Surf recently--I don't know if you got a chance to read that research of how productivity, through the process industries, manufacturing, whatever, is incredibly--technology has improved, except in our industry. In design and construction, if anything, it's gone down over the last decade, that as little as 30 percent of the time during that construction

duration is actually productive.

There's so much staging and waiting and coordinating and rework that when they drove one of the industries, I'm not sure whether it was the pharmaceutical or casino, but instead of saying we had a target of 18 months; we're going to put a stake in the ground and say 12, their only mistake is they said 12, because they got it. As Joel said, be careful what you ask for; they truly looked at somehow trying not to say okay, they all had a budget, but instead of saying we need this much more to incentivize saying this is where we start.

Whether it's a contingency or it's something below that, because none of them that I know of get a separate bundle of money that suddenly adds to the contract, but it's truly within the total, but as an acquisition strategy, it's not lumped in with the budget. You have to earn it, and there's various, I think, creative ways. It will be interesting to speak offline with anyone of some of the major firms that I've seen

implement incentive programs for their subs are very, very effective and powerful.

So I'll share that out that, I don't know, that do we get further guidance on this offline? It's the first project I've been assigned. I should have been asking questions at lunch, but I'll make sure I get my email.

GENERAL WILLIAMS: I'm going to let the panel chew that one.

MR. UNGER: Okay.

GENERAL WILLIAMS: We'll have no Government influence. Just come back and tell us about it at the end of it.

Let me just say one thing: I appreciate your comment, because, you know, it's always a plus and a minus in our business about anything; well, in business in general, and those of us who have been close to it know that. One of the negatives when we got started four and a half years ago was that well, as I look out there and see State Department work, I see just two or three firms. I think I have a panel member here who laid that on

me about every time he came in for about a year.

And he was right. We worked hard through outreach and everything else, and you guys helped as well by trying to suggest that we were playing the game right, and we have built up a pool now of about 15 participating good, strong companies, any one capable of doing what we need to do. If we go into the--and I've done enough bundling in my days--if we go into--well, if you're big enough, and you're strong enough, you can take all 11; we'll be back in the ditch with Todd again.

[Laughter.]

GENERAL WILLIAMS: You see, so we have to be careful about that acquisition strategy. But we're trying to lay it out there and advertise it well in as many avenues as we can, make it as competitive as we can and give everybody an opportunity we know that are qualified to do the work and try to work it from that way.

It doesn't prevent anyone from winning two or multiple or whatever, but I think we would want to just be fair and at this session that we're not

at the bundling yet.

Okay; yes, Ida?

MS. BROOKER: Analysis has to be made, and I mentioned this in previous sessions, as to buying power. And when the contractor has as good or better buying power than the owner has, then, the contractor should be the one doing the buying.

However, the interesting comment about the windows and doors, if they're a State Department spec, and you have a limited number of manufacturers for that, then, the buying power doesn't rest with the contractor. The buying power will be with others, with your organization. So that's the one thing that would benefit with analysis of and in my company, it's cranes. I mean, we buy more cranes than, I think, most other companies, let alone between us and our contractors.

So, I mean, there's just certain things that have--the buying power is with the owner in this case rather than with the contractor. And when that happens, then, making it an owner--what

did you call that?--an owner-purchased equipment makes sense.

But I think that the analysis has to be where the lead time is long enough, which is the first one you took on, and then, where the buying power rests with the State Department. And I think that would be one of the other criteria you could use in order to assist in making impossible schedules, which is what you'd like to do because you'd like the facility up and running. Going back to the statistic that Craig was talking about, I think at one time, they told me that if a competitive product beats the delivery date to the market by 30 days, you have paid for the entire facility that you bought.

So it's those kinds of statistics, because we did a lot of cost-plus building, and it just makes my skin crawl. I hate it because it's like a runaway freight train. And the answer, you know, I like competitive procurement. I think that in buying widgets, you have buying power by concentrating into fewer suppliers. In

construction, I think you add competitiveness by increasing the number of competitors.

But I think that open checkbooks is not a real good way to do business, but with the idea that you can pay for the entire facility by a 30-day improvement in your schedule makes you start to really wonder are we counting pennies, or are we really counting dollars when you start talking about it.

And I don't know that that political, you know, I don't know how you value political weight of an opened embassy in an area that hasn't had one in months and months, so, you know, it's kind of, you know, I don't know whether you have that kind of ability to analyze that, but those sometimes are the key ingredients in making those kinds of determinations.

GENERAL WILLIAMS: That's very interesting and I think well put, and it's totally consistent with our thinking. Once again, we were just trying to drill a little bit deeper to see if there was anything left there that we could be concerned about.

Yes.

MS. OLSEN: I think you also have one more potential interference factor that most don't have, and that's the Government over your shoulder, Congress and everything. So the fact, the self-policing, self-evaluation, bringing that in can make a big difference, and taking away all those extra sets of eyes and can probably buy a lot of time.

GENERAL WILLIAMS: Yes; they obviously like all of that, so that's good for us.

Okay; let's look now at this whole issue of planning and development and number 13. I would assume that at least 60 percent of the panel members here are working abroad, and just sort of talk to us a little bit about how the whole 9/11 episode has done to your business. What has it changed? Any methods and means of doing business? Any management redirections? It doesn't have to pertain to overseas.

We just want to learn as much as we can. We know what has happened in our situation, and we

often get the questions sometimes from people who write in the media, what did you do differently after 9/11 in terms of security. Well, we were pretty much--the Department had done a very good job, I think, of thinking through this after--sort of the 9/11 for the Department was in 1998 when we had the two embassies blown away in East Africa, so that put everything center stage.

So it was not very much tweaking, if you will, we had to do after 9/11, particularly in terms of building integrity and the like, but we are just wondering what sort of management directions you had to deploy as a function of 9/11. Any policy changes with respect to people or anything?

MR. PAPADOPOULOS: Let me start.

GENERAL WILLIAMS: Okay.

MR. PAPADOPOULOS: There are a couple of mundane things we did in my office. Basically, we tried to raise the sensitivity of the personnel who are traveling overseas to be more low key, to be very sensible, to watch details of how they dress,

what equipment they take with them; real simple things, yet things that are bound to be overlooked sometimes.

And we continued that on a regular basis, on a quarterly basis to have certain meetings and again describe situations regardless of where somebody will be traveling; again, trying to remind people to be sensible and not to be too much of a lightning rod with their traveling overseas and above all to be extremely careful of what they discuss and who they meet and so on.

Again, this is not on Government business; this is strictly on private business. But there's the fact of traveling overseas, out of the U.S., things can happen that just because you come from the U.S.

GENERAL WILLIAMS: That's right.

MR. PAPADOPOULOS: That's basically what we did.

GENERAL WILLIAMS: Very good. Any other changes, management actions?

Yes, Robin?

MS. OLSEN: I guess, and this is something you probably don't even think about now is whenever you have to travel, you have to plan way ahead as far as how much time it's going to take you. You don't know necessarily, so you've got to build extra time in for all your travel for yourself, for all your employees, for people who have to get to jobs. If you need them to get there fast, how are you going to get them there? You know, do they need to be there right away? If so, how fast can you get them there?

GENERAL WILLIAMS: Yes, Bill?

FROM THE AUDIENCE: If I can kind of extend that question, let me. Have you had difficulty getting people to go overseas, and if so, what have you done to encourage them or reward them, or have you even found anything?

GENERAL WILLIAMS: Yes, Derish.

MR. WOLFF: Well, Bill, surprisingly, we haven't, and that's one of the things that I thought we were going to see. And I know you haven't had that much either, so that surprised me.

It's a very complicated issue. It's a tradeoff issue. On the one hand, if you protect your people, especially if you're in fields, I think if you're building a compound or the NEC, it's serious but not as serious. But if you're in institutional building, nation building, all these issues, you know, there's more tradeoffs. The more you protect your people, the less effective they are, because they have to be out in the community. You have to be out in the small towns. And the same thing the action construction groups have.

And what we're petrified of is the intrusion, and it's important, but security is sort of learning disabilities. In other words, you bring in learning disabilities experts into a school, and before you know what happens, two-thirds of the school has got learning disabilities.

[Laughter.]

MR. WOLFF: So, you know, it's actually happened.

GENERAL WILLIAMS: Slow learners.

MR. WOLFF: Yes, everyone is a slow learner. And it becomes a very real issue, where security starts taking over everything, and you're in a really difficult position, because if you argue with the security people, and then, something happens, really, you're one to blame, but worse thing, you feel terribly guilty. But if you don't, you slowly lose the mission, and you get this kind of a problem we have in Baghdad with the Green Zone, where you can't get out of the Green Zone, so you can't talk to the Iraqis. So it's a real issue. It's not easy at all.

What we've done is we've actually cut back a little in our staffing of Americans and started to use more local people. This is easy for me to say that on non-secure areas. It's not so easy when you're wiring an embassy or something. And this was happening anyway, because with this kind of global education, you had more and more people around the world who you could use. So that was happening.

What's really frightening, and I'm a big

fan of his, so I don't want to sound like learning disabilities, but Andrew Natsios, the head of AID's recent report, he indicated that 30 percent of the people in the world are living in high risk areas. So our risk potential seems to be growing faster than our plans, and that was not a good omen, especially since our people read these reports.

The other thing that I don't like, and I don't know if OBO has gotten into this, is it's forcing us to intrude more into the social life of our people, because security, much of the security concerns are after-hours concerns, and that's something we really didn't want to do, and you find yourself intruding more. And what we've done is put in buddy systems, for example, so that they're in contact once a day or twice a day, so we know that.

But that's really an intrusive kind of thing. And, I mean, but it's not easy, because everything you put in to make your people more secure makes them in many ways less effective in the host country.

GENERAL WILLIAMS: How has that impacted productivity? That's what I was trying to get a little bit at on this 9/11 matter. Have you seen a continuation of steady stateness, or has productivity declined or--

MR. WOLFF: Security concerns kill your productivity; it's as simple as that. Every time you have to check something, it's just--I mean, every minute you spend being briefed on security and every minute you spend being secured is time you're spending off the job.

GENERAL WILLIAMS: Okay; are there other questions that anyone has?

[No response.]

GENERAL WILLIAMS: Well, let's leave the questions alone for right now. We want to talk about a couple of other matters as we move ahead.

First of all, I want to propose, and you can get back to Gina after she's done a polling of this, and we would want at least 90 percent participation in order to make this work from the panel, I listen and I hear every vibration that you

send forth, and you know, we did try to launch this in 2004, but because of a number of situations, we were not able to do that. We want to try to hold the third quarter meeting that will be in the fall, date yet to be set, on one of our sites. And now, this would require you, our friends, to find a way there. We would have a schedule and all of that. But I think it would be worth us doing this. You'll be able to see first hand some of the things that I've shown you.

Obviously, these are wonderful experiences to see what change people have once they are exposed to having something that really works, and you see this not so much in our American friends, but you see it in the host country folk who have been working for years in very dysfunctional arrangements, and all of a sudden, they have a mechanical room, of all things, that's clean enough, in many cases, they have said to me, to eat from. Or they become so fascinated with some of these things that tears are often--I've experienced this in almost every location. People have come up

embracing and all of that. So we know we're doing the right thing and helping people.

So, and I think you need to see one of these finished products and see how all of these things are coming together. So we will try and look at that and see how we can work it in. And Gina will do some of the canvassing and see if that doesn't fit the third quarter, we'll look at another quarter, but sometime over the next four years, we'll do one. I know we tried to do this in Frankfurt before, and we were going to have the opening there, I mean, the groundbreaking, and it didn't work for any number of reasons. Okay; that's the first one.

The next thing I would like to do is before I have a few other administrative comments, I would like to go around the wall and have our visiting friends tell us who they are. We are delighted to have you. I know some have departed for any number of reasons, but these meetings are open. You've seen one portion of your Government at work, and those that have sat through 10 or 12

of these sessions know that this is the way they all are done.

There's no show here, nothing but discussion, trying to get better. We think that we have been able to work together and end up doing a better job for our Government and our taxpayers. I think nothing has been any more significant to the assistance of our program. It's been hard work on all of the members of OBO, but we've had a very good partner in this panel. You've worked with us since we've started, and you come prepared, and we really appreciate that.

And we also appreciate the public as well for coming, and those who have interest in our program, I look around the room, and I've seen faces that have been at every single session almost that we've had. They come like they are members of the panel. And I have talked with several offline, and they have told me that they come because it's information. And I think that's enough to give us the incentive to keep things going.

Okay; let me start over in the corner,

right behind Elaine.

FROM THE AUDIENCE: Michael DeChiara. I'm a construction lawyer. And I came today because I'm going to be on your panel the next time you meet, and I wanted to get a sense of what I have gotten myself into.

[Laughter.]

GENERAL WILLIAMS: I will tell you who he's replacing later on. Now, you know why I was after him, right? And I might add that he's the first lawyer who's ever made it to this roundtable, so you've got to be careful.

Okay; yes.

FROM THE AUDIENCE: Charlie Frohman, a consultant with Akal Security, the parent company for Coastal International Security, which provides 90 percent of your cleared American guards for 35 of your missions around the world with nine pending.

GENERAL WILLIAMS: Delighted to have you here. Thanks for coming.

Yes, ma'am.

FROM THE AUDIENCE: My name is Arlene Diehl. I'm with Square D Company. Thank you very much for the invitation. I've been here before. It's always been great information. I'm really pushing for that Government-purchased equipment.

[Laughter.]

FROM THE AUDIENCE: It has a long lead-up.

[Laughter.]

GENERAL WILLIAMS: You're right. We're delighted to have you here.

FROM THE AUDIENCE: Thank you.

GENERAL WILLIAMS: Yes, sir.

FROM THE AUDIENCE: My name is Bill Stevens. I'm a consultant in the contract O&M world. I was particularly interested in hearing that discussion today, and I just want to add that maybe the panel would like to consider how incentives are used in the contract O&M world as well as in the DBC world.

GENERAL WILLIAMS: That's fine.

Yes, sir.

FROM THE AUDIENCE: My name is Abel

Caballero. I work for EDL Construction, and we provide preengineered buildings for the Department of Defense primarily, and this panel is pretty informative as far as what the Government wants, and that's what we are looking forward to maintain the long-term relationship. Thanks.

GENERAL WILLIAMS: Thank you for coming. Yes, ma'am.

FROM THE AUDIENCE: Hi, I'm Jan Tuchman. I'm the editor-in-chief of Engineering News Record Magazine, and I got interested in writing a story on the embassy under construction in Beijing, and I recently visited it just last week. That's why I'm a little droopy, because I'm still jet lagged. And I spoke to General Williams, and he said, well, you know, that's a very interesting project, but we have a very interesting program. So I got interested in expanding the story to the program as a whole, and so, I'm real interested in seeing the dynamic of the panel, and I'd like to speak to some of you individually and actually anybody who's interested in expressing views on the program give

me a call. My name is in the magazine.

GENERAL WILLIAMS: Thanks, Jan.

FROM THE AUDIENCE: My name is John Adam. I work for--

GENERAL WILLIAMS: I might say one word: when we were doing our project in Fort Drum, because we both were in New York at the time, I remember Jan being associated with that work as well so--yes.

FROM THE AUDIENCE: My name is John Adam. I work for a company called Spacesaver Systems. We do filing and storage, and we also work with GSA purchases. We've got a long history with the State Department in helping them design solutions and storage systems.

GENERAL WILLIAMS: Thank you.

Let's see: lady in pink; yes, ma'am? They belong to me so--

FROM THE AUDIENCE: My name is Joan Freitag. I work for Hanson Professional services. We design radio broadcast systems all over the world, particularly for the Voice of America. We

also do geotechnical, structural and a variety of engineering services.

GENERAL WILLIAMS: Thank you for coming. Yes.

FROM THE AUDIENCE: Good afternoon. My name is Greg Meyer with J.A. Jones and Fluor. I might suggest that you let the General or ask the General if you can vote on which embassy you want to visit. I would pick one that's in a warm climate.

[Laughter.]

FROM THE AUDIENCE: Some of them are plus 100 degrees.

[Laughter.]

FROM THE AUDIENCE: I would also offer to help host a visit to the Belize embassy or any other embassy that we're involved in.

GENERAL WILLIAMS: Wonderful; wonderful. That's an incentive, right?

[Laughter.]

FROM THE AUDIENCE: My name is John Hathaway. I'm an architect and principal with

Einhorn Yaffe Prescott. We're teamed with Fidel Construction on the new embassy in Panama.

GENERAL WILLIAMS: Thank you.

Yes.

FROM THE AUDIENCE: I'm Bill Brown. I'm the executive vice-president of Page, Southerland, and Page. We're teamed with Zachary Construction on the Phnom Penh embassy and the embassy at Managua, Nicaragua. Great meeting.

GENERAL WILLIAMS: Thank you.

Yes.

FROM THE AUDIENCE: Good afternoon. I'm Tom Kretschmer with Enclos Corporation Couples International Group. We design custom curtain wall, windows, doors. Just started to participate in your embassy program. My first meeting, and I want to thank you, General, and your entire table. It's been an interesting, open discussion.

GENERAL WILLIAMS: Thank you. Thank you.

Yes, sir.

FROM THE AUDIENCE: Good to see you; Adam Shirvinsky with EMSI. Missed the last one, so I'm

down one. But it's a real pleasure to see everybody and hear the discussions and see where you're moving towards. Thank you.

GENERAL WILLIAMS: He was here the first time we opened this place.

MR. UNGER: I was going to say, I need his card in case I miss one.

[Laughter.]

FROM THE AUDIENCE: Rich Carbone representing the Peace Corps, OBO division, which is just getting started. This is our first opportunity to attend, and I want thank you all for allowing us to do so.

GENERAL WILLIAMS: Yes, delighted to have you here.

FROM THE AUDIENCE: Good afternoon, my name is Erika Carter, and I work at GAO on the International Affairs and Trade Team.

GENERAL WILLIAMS: Thank you.

FROM THE AUDIENCE: Hi, my name is Mike Armes. I'm also from GAO, tag-teamed with Erika. She's from the International Affairs team; I'm from

the engineering side, the physical infrastructure team at GAO.

GENERAL WILLIAMS: Delighted to have you here.

Yes, sir.

FROM THE AUDIENCE: Hi, my name is Gary Brown with Gale Associates. We were selected for a contract with OBO last year. Our clearances finally got through a couple of weeks ago. We should be under contract here by the end of the month to deal with consulting services for facilities management.

GENERAL WILLIAMS: Good.

Yes, sir.

FROM THE AUDIENCE: Everett Newell from Giffels Engineering. Just here to find out what this is all about and how to get involved with it, and we're just getting started.

GENERAL WILLIAMS: Did we do a pretty good job of telling you what this is all about?

FROM THE AUDIENCE: Yes.

FROM THE AUDIENCE: I'm Celeste

Stachurski, and I'm also with Giffels, and this has been a very informative meeting, and we really have enjoyed being here. I will be contacting Gina to learn how invitees may bring some innovations from industry to OBO.

GENERAL WILLIAMS: Good.

Yes, sir.

FROM THE AUDIENCE: I'm Ray Cullen with Hansel Phelps Construction Company. We're the design builders for the Cape Town embassy and also doing Berlin. And once again, it was an excellent meeting, very informative.

GENERAL WILLIAMS: Thank you.

FROM THE AUDIENCE: I'm Dave Conover with the International Code Council headquarters. This is my first meeting. I appreciate the opportunity to be here. I guess I've worked with Bill and his staff since about December of 2003 in codes, adoption, and so on. Pleased to be here.

GENERAL WILLIAMS: Delighted to have you here.

Yes, sir.

FROM THE AUDIENCE: Hi, I'm David Zee. I thoroughly enjoyed the meeting. I'm with AVI Construction, basically a business consultant. General, very informative meeting. I've been around a lot of these, and this was a very informative meeting for us. I certainly enjoyed it.

GENERAL WILLIAMS: Thank you, thank you. Yes, sir.

FROM THE AUDIENCE: Nick Katsiotis from Gilford Correspondence. We're general contractor currently renovating the INA building in Italy.

GENERAL WILLIAMS: Yes.

FROM THE AUDIENCE: Hi, good afternoon. I'm Mary Anderson. I have attended several of these meetings, and I'm very pleased also to have been invited to participate in the upcoming panels, and I'm very honored and eager to participate.

GENERAL WILLIAMS: You haven't missed many, have you?

FROM THE AUDIENCE: No.

GENERAL WILLIAMS: Okay; well, thanks a

lot to all of you who have come out to witness and be a part of this, and you're welcome as long as we have space. There are two rooms in the Department. This is, quote, the roundtable and obviously the preference, but it's the smallest room. The other room is much larger, and from time to time, we move over there. But you're most welcome.

What I would like to do now is to give our panel an opportunity to make any comments, individual members. I think I will, because it's something we want to do at the end, I think we will call the ones that we want to make comments initially, and then, Ill have something to say about a couple of the others, and then, we will close things down.

So we start with--I think we'll start with Joel first.

MR. ZINGESER: Thank you. Again, as I said at the beginning, it really is an honor and a privilege to be a part of this group, and it's always fun. And there aren't a lot of meetings of this sort that you can say are fun, but this one

is.

I'm also, at the risk of sounding a little fluffy here, I'm really pleased that General Williams is still here. This program that you've created at the beginning of your term was very ambitious, and I would probably bet that if there were odds in Las Vegas as to whether you would succeed, they would not have been in your favor. To make the kinds of changes that you have in this Overseas Building Operations Program in the short time that you have is remarkable. To in some way, it's really minor, to be a part of it is really just a great privilege, and again, I'm glad you're here. I'm glad you're going to stay here and see this through, and I look forward to hopefully being here with you.

GENERAL WILLIAMS: Thank you, Joel.

Todd?

MR. RITTENHOUSE: I'd like to echo Joel's comments. It has been a pleasure and a privilege to attend these. Been here since it started. And it is very informative. We come here to help you,

and yet, you help us take away ideas on how to better our businesses and practices, and I thank you for that opportunity.

GENERAL WILLIAMS: Thank you for helping us out.

S.G.?

MR. PAPADOPOULOS: I can only echo what my colleagues at the table have said. It's a real pleasure and honor to be in this panel. I appreciate very much the fact that you're staying on, and you're seeing this wonderful program forward. I also want to confess that I have stolen some ideas and used them in my practice so--

GENERAL WILLIAMS: Jan, write, write, write, write.

[Laughter.]

MR. PAPADOPOULOS: Thank you very much.

GENERAL WILLIAMS: Okay.

Mary Ann.

MS. LEWIS: Thank you very much. I will ditto--

GENERAL WILLIAMS: You heard another

story. You heard two now.

[Laughter.]

MS. LEWIS: This is a wonderful panel, and I'm sure I get much more out of it than I give to the group. It's wonderful to hear the comments from the other associations represented here, and we're just delighted that the value engineering community is able to participate, and we thank you.

GENERAL WILLIAMS: Pleased to have you.

Craig.

MR. UNGER: Again, appreciate the opportunity. I'm privileged to represent DBIA. For a clarification point on the bundling, I promised a member I would bring that forward. Whether I agree with the strategy or not, but I said I'll make that point for the record.

GENERAL WILLIAMS: Okay.

MR. UNGER: But I do want to say, interesting enough, and I'm not sure if it was the meeting we were at last week or not, but the Fort Drum and what you were able to accomplish there still resonates to this day about the example of

what some of our DOD agencies are going to do. So it was kind of neat to be able to say I know the guy that did that.

And I see the similar here; again, I'm fortunate enough to speak in front of a lot of groups, and they're asking for best practices and what works and what doesn't work, and I frequently, again, some of the things that we pick up here share that I think you're helping others perhaps without knowing it.

Thank you.

GENERAL WILLIAMS: Thank you very much.

At this time, I want to do something that's a little sad, but we have to do this, and that is to say goodbye to some team members, goodbye from the standpoint of leaving the panel, and it is kind of a sad day for me, because they have been extremely supportive and have been extremely helpful around the table and having the confidence to believe in what we were trying to put forth, and that's very important, because this job is extremely difficult. I try to take it in

stride, but you know, it's heavy lifting.

And I cannot say enough about Derish Wolff, who's been a strong, stalwart supporter of this program; Ida Booker; Harold Adams, unfortunately is not with us today, but he would if he could; and Robin Olsen.

The first three individuals, Derish, I thank you for everything that you have done. I thank you for your friendship and your counsel, and I want in some way for you to stay connected, even if it's around the wall.

Ida, you have been nothing less than a stalwart. You have been forthcoming. You have brought all Boeing had to offer to the table for us. I appreciate this very much.

And Harold in absentia, I will just say this openly, Harold was not necessarily bought in on this whole notion of design build or the standard designs. You're talking about a person who was one of the leaders of the AIA, but once he sat through a couple of these sessions, there was not a stronger supporter in industry than Harold

Adams and an architect for our standard embassy designs. So I do want to thank Harold in absentia for his support.

Robin Olsen, who has been a full--those members, those I just mentioned, have been members here for three years. They came in in 2002, and we kept extending them, but now, it's a switchout time. Robin Olsen has been serving a full member for a year. She substituted for several--for almost a year for Harvey Kornblum from our owners and developers association. She represents that industry. Robin has been a very strong supporter and a good, quiet voice and always kept the common sense things in place, and I appreciate your friendship, I appreciate your support, and I hate to see all of you go.

But it does happen. We have wonderful replacements. You've already met Robin's replacement. He'll be taking that seat next month. We have replacements which we'll be introducing for Ida and Derish and Harold going forward, and we'll keep the board intact. As these members leave

their respective places, they have standard invitations at my request to attend at any meeting and feel free to participate, and we would love to have you come and be an alumnus of this organization.

So with that, I would really like to say with everything that you can add to wishing you the absolute best that you take this away with you, and once again, thanks very much for hanging in here with us. At times, we're pretty tough when we were putting the program in place, and we were touching some very fertile ground, and you hung in here with us, and I think today, we can make the presentation for good Government that many can emulate as we move forward. Thanks a lot.

[Applause.]

GENERAL WILLIAMS: Okay, Gina? The ladies get a kiss, okay?

[Laughter.]

GENERAL WILLIAMS: Okay; Gina, you have some things to tell us?

MS. PINZINO: Just closing, for those who

are interested, at the bottom of our booklet indicates the date of our next meeting, which will be June 2. The Federal Register notice will be placed to the public around the middle of May, and hopefully, you can join us again, and for all others, we look forward to seeing you and look forward to many more meetings to come.

GENERAL WILLIAMS: Okay; thanks for coming.

[Whereupon, at 3:23 p.m., the meeting concluded.]